

Agency Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	89,535,933	97,066,659	7,530,726	8.41 %
Operating Expenses	53,430,581	54,589,813	1,159,232	2.17 %
Equipment & Intangible Assets	614,748	810,648	195,900	31.87 %
Capital Outlay	57,076	0	(57,076)	(100.00)%
Grants	17,199,884	17,481,584	281,700	1.64 %
Benefits & Claims	200,778	200,778	0	0.00 %
Transfers	682,666	774,666	92,000	13.48 %
Debt Service	532,764	501,058	(31,706)	(5.95)%
Total Expenditures	\$162,254,430	\$171,425,206	\$9,170,776	5.65 %
General Fund	3,359,223	3,945,485	586,262	17.45 %
State/Other Special Rev. Funds	93,384,393	101,147,518	7,763,125	8.31 %
Federal Spec. Rev. Funds	65,510,814	66,332,203	821,389	1.25 %
Total Funds	\$162,254,430	\$171,425,206	\$9,170,776	5.65 %
Total Ongoing	\$162,254,430	\$171,425,206	\$9,170,776	5.65 %
Total OTO	\$0	\$0	\$0	0.00 %

Agency Biennium Comparison -

The biennium comparison table shows a total growth of 5.7%, which for the Department of Labor and Industry is significantly influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 4.3%.

Mission Statement

The purpose of the Department of Labor and Industry is to promote the well-being of Montana's workers, employers, and citizens, and to uphold their rights and responsibilities.

The department is divided into six divisions:

- The Workforce Services Division
- The Unemployment Insurance Division
- The Commissioner's Office/Centralized Services Division
- The Employment Relations Division
- The Business Standards Division
- The Technology Services Division

The Office of Community Services, Workers' Compensation Court, and three additional boards are administratively attached.

For additional information, please refer to the agency profile. The profile may be viewed at: <https://leg.mt.gov/lfd/publications/>

Agency Highlights

Agency Highlights

<p>Department of Labor and Industry Major Budget Highlights</p>
<ul style="list-style-type: none"> • The Department of Labor and Industry 2021 biennium budget request is approximately \$9.2 million or 5.7% higher than the 2019 biennium budget • Proposed changes include: <ul style="list-style-type: none"> ◦ Increases in statewide present law adjustments for personal services, fixed costs, and inflation/deflation ◦ Increases in state special revenue for the Montana Career Information System due to expired grant funding ◦ Increases to facilitate payment of the anticipated increases to the maintenance contract for the Unemployment Insurance Tax System ◦ Funding to upgrade technology for the Montana Prescription Drug Registry, the Building Codes Bureau, and the Weights and Measures Bureau
<p>Legislative Action Issues</p>
<ul style="list-style-type: none"> • SB 9 restorations to operating expenses instead of personal services increase the total 2021 biennium appropriations by \$67,000 each year • The legislature may want to consider three present law adjustments as they would new proposals • The statutory appropriation for the Board of Public Accountants is set to expire on September 30, 2019

Agency Actuals and Budget Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	666.98	666.98	666.98	666.98
Personal Services	41,654,065	44,038,404	45,497,529	48,529,444	48,537,215
Operating Expenses	22,725,719	26,480,496	26,950,085	27,351,830	27,237,983
Equipment & Intangible Assets	167,162	302,174	312,574	417,324	393,324
Capital Outlay	57,051	57,076	0	0	0
Grants	7,353,078	8,488,792	8,711,092	8,740,792	8,740,792
Benefits & Claims	50,050	100,389	100,389	100,389	100,389
Transfers	386,028	313,983	368,683	387,333	387,333
Debt Service	334,864	285,035	247,729	250,529	250,529
Total Expenditures	\$72,728,017	\$80,066,349	\$82,188,081	\$85,777,641	\$85,647,565
General Fund	1,566,867	1,566,994	1,792,229	1,972,963	1,972,522
State/Other Special Rev. Funds	43,872,424	46,095,448	47,288,945	50,642,918	50,504,600
Federal Spec. Rev. Funds	27,288,726	32,403,907	33,106,907	33,161,760	33,170,443
Total Funds	\$72,728,017	\$80,066,349	\$82,188,081	\$85,777,641	\$85,647,565
Total Ongoing	\$72,728,017	\$80,066,349	\$82,188,081	\$85,777,641	\$85,647,565
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Discussion

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The modified HB 2 budget of \$80.1 million for the Department of Labor and Industry was 90.8% expended in FY 2018. The department was under expended due to a lack of federal grant awards, primarily within the Workforce Services Division.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are approximately \$2.1 million or 2.7% higher than the FY 2018 total appropriation due to:

- State share contribution reductions for FY 2018
- Executive modifications, such as operating plan changes and program transfers, across both fiscal years
- SB 294 pay plan increase in FY 2019
- SB 9 restorations for FY 2019
- Other differences between the fiscal years, due to the Governor's reductions, statewide present law adjustments, workers' compensation adjustments, and program-specific differences

Executive Request

The total budget proposed by the executive for the Department of Labor and Industry is \$9.2 million or 5.7% greater than the 2019 biennium budget.

Personal services were approximately \$45.5 million or 55.4% of total FY 2019 appropriations. The executive proposes an increase of approximately \$3.0 million in both FY 2020 and FY 2021. This increase is due to the statewide present law adjustment for personal services and other present law adjustments specific to each program. These changes will be discussed in detail at the program level.

Operating expenses were approximately \$27.0 million or 32.8% of total FY 2019 appropriations. The executive proposes an increase of approximately \$402,000 in FY 2020 and \$288,000 in FY 2021. This increase is primarily due to the statewide present law adjustment for fixed costs and inflation/deflation and other present law adjustments specific to each program. These changes will be discussed in detail at the program level.

**LFD
COMMENT**

The Legislative Audit Division conducted several audits in the Department of Labor and Industry:

An information technology audit of the Department of Labor and Industry in September 2016 found increasing controls over certain areas of the Status, Tax Accounting, Audit, & Rating System (STAARS) functionality would improve accuracy of tax rates and associated revenues and ensure collections are maximized.

The Legislative Auditor recommends the Department of Labor and Industry increase systematic and manual controls related to the North American Industry Classification System (NAICS) code, custom interest rates, payment agreement abatements, and tax rate changes.

Additional information on the audit can be found at <https://leg.mt.gov/content/Publications/Audit/Report/16DP-01.pdf>.

A performance audit of the department in November 2017 found the Board of Realty Regulation, its licensees, and the general public could benefit from a re-evaluation of the purpose and use of the real estate recovery account (RERA). Given high account balances and limited claims, it is not clear whether the current \$35 fee, as defined in 37-51-502(1), MCA, is appropriate, or whether allowing the balance to increase without establishing a maximum effectively serves the statutory purposes of this account.

The Legislative Auditor recommends the Board of Realty Regulation:

1. Align the current parameters for funding the real estate recovery account with resource needs
2. Determine whether existing uses of the real estate recovery account funds should be expanded to increase protections for consumers
3. Increase the visibility of the real estate recovery account to both licensees and the general public through improved marketing

Additional information on the audit can be found at <https://leg.mt.gov/content/Publications/Audit/Report/17SP-23-follow-up-orig-15P-01.pdf>.

5% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. For the Department of Labor and Industry, the 5.0% plan includes reductions totaling approximately \$1.3 million. This amount consists of \$78,000 in general fund and \$1.2 million in state special revenue. The plan includes potential reductions in funding for administrative hearings for uninsured employer fund cases and human rights cases, travel to Workers' Compensation Court hearings, sunset boards in the Business Standards Division, five positions in the Safety Bureau, and human rights investigator position. A summary of the entire 2021 biennium 5.0% plan submitted for this agency is in the Budget Analysis Appendix.

FY 2019 Legislative Budget to FY 2019 Executive Modified Base

Figure 1 illustrates the beginning FY 2019 budget as adopted by the 2017 Legislature compared to the finalized 2019 Base Budget, which includes modifications done by the executive (as authorized in statute) during the interim. The 2019 Base Budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2021 biennium budgeting process.

Figure 1
FY 2019 Legislative Appropriations

	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
01 Workforce Services Division				
61000 Personal Services	16,658,691	(291,168)	16,367,523	-1.7%
62000 Operating Expenses	7,026,512	(84,545)	6,941,967	-1.2%
63000 Equipment & Intangible Assets	12,908	-	12,908	0.0%
66000 Grants	5,697,770	(56,700)	5,641,070	-1.0%
68000 Transfers-out	45,114	56,700	101,814	125.7%
69000 Debt Service	155,587	(1,200)	154,387	-0.8%
02 Unemployment Insurance Division				
61000 Personal Services	9,296,804	59,318	9,356,122	0.6%
62000 Operating Expenses	6,357,236	-	6,357,236	0.0%
69000 Debt Service	29,905	-	29,905	0.0%
03 Commissioner's Office/CSD				
61000 Personal Services	793,913	21,216	815,129	2.7%
62000 Operating Expenses	319,211	46,984	366,195	14.7%
63000 Equipment & Intangible Assets	1,194	1,200	2,394	100.5%
04 Employment Relations Division				
61000 Personal Services	8,854,503	150,262	9,004,765	1.7%
62000 Operating Expenses	5,089,224	75,933	5,165,157	1.5%
63000 Equipment & Intangible Assets	10,941	-	10,941	0.0%
67000 Benefits & Claims	100,389	-	100,389	0.0%
69000 Debt Service	17,089	-	17,089	0.0%
05 Business Standards Division				
61000 Personal Services	9,028,981	7,000	9,035,981	0.1%
62000 Operating Expenses	7,728,352	13,000	7,741,352	0.2%
63000 Equipment & Intangible Assets	288,725	-	288,725	0.0%
66000 Grants	5,000	-	5,000	0.0%
68000 Transfers-out	34,869	-	34,869	0.0%
69000 Debt Service	40,687	-	40,687	0.0%
07 Office of Community Services				
61000 Personal Services	324,906	(13,754)	311,152	-4.2%
62000 Operating Expenses	213,644	15,754	229,398	7.4%
66000 Grants	3,065,022	-	3,065,022	0.0%
68000 Transfers-out	232,000	-	232,000	0.0%
69000 Debt Service	952	-	952	0.0%
09 Workers' Compensation Court				
61000 Personal Services	606,857	-	606,857	0.0%
62000 Operating Expenses	148,780	-	148,780	0.0%
69000 Debt Service	2,315	-	2,315	0.0%
Program Total	757,952	-	757,952	0.0%
Grand Total	\$82,188,081	\$0	\$82,188,081	0.0%

The legislative action budget includes the FY 2019 budget as adopted during the November 2017 Special Session, other specific house and senate bills, and SB 9 restorations. The SB 9 restorations totaled approximately \$180,000. The Department of Labor and Industry had several executive modifications to the legislative budget. The most notable modification included a program transfer of approximately \$226,000 from the Workforce Services Division to the Employment Relations Division to combine FTE for the Occupational Injuries & Illnesses and the Census of Fatal Occupational Injuries programs into the same division.

Agency Personal Services

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP 1) has been broken down into four categories, as follows:

1. Formula Based

Formula based changes are calculated independent of agency choices, such as: annualize personal services costs including FY 2019 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers' compensation and unemployment insurance.

A detailed illustration of this methodology is included in the Budget Analysis Appendix.

2. Personal Services Management Decisions

Any agency management decisions that adjusted employee pay or transferred personal services authority between programs. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff or moving FTE and funding between programs.

3. Proposed Reinstatement of Personal Services Base Budget Reductions

Most agencies requested reinstatement of personal services budget reductions taken last session. The single largest reinstatement is due to the lower vacancy savings rate requested by the executive. The FY 2019 personal services base included approximately 6.0% vacancy savings reduction as part of the funding adopted in HB 2. Generally, the executive requested a 2.0% vacancy savings reduction for 2021 biennium.

Agencies funded with general fund may have additional personal services reductions such as those reduced from the triggers in SB 261 from last session.

In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature.

4. Budget Modifications

This category includes modifications to the FY 2019 personal services budget such as transfer of personal services authority to operating expenses that occurred during the interim. These transfers may impact the overall size of the personal services present law adjustment (DP 1).

The Figure shows the analysis of the proposed changes.

Figure 2

Personal Services Present Law DP 1 - FY 2020					
Program	Formula Based	Management Decisions	Proposed Reinstatement of PS	Budget Modifications	DP1 SWPL
01 WORKFORCE SERVICES DIVISION	158,215	(460,102)	201,367	-	(100,520)
02 UNEMPLOYMENT INSURANCE DIV	106,332	188,897	400,254	-	695,483
03 COMMISSIONER'S OFFICE/CSD	8,393	(7,425)	43,464	23,784	68,216
04 EMPLOYMENT RELATIONS DIV	124,140	78,563	460,418	29,588	692,709
05 BUSINESS STANDARDS DIVISION	137,464	218,995	1,255,015	-	1,611,474
07 OFFICE OF COMMUNITY SERVICES	6,267	(8,180)	(11,808)	13,754	33
09 WORKERS COMPENSATION COURT	8,565	(10,747)	25,617	-	23,435
Agency Total	\$549,377	\$0	\$2,374,327	\$67,126	\$2,990,830

Personal services were \$45.5 million or 55.4% of total FY 2019 appropriations. The executive proposes a statewide present law increase of approximately \$3.0 million for both FY 2020 and FY 2021. In addition to the formula-based changes, the statewide present law adjustment is mainly due to the reinstatement of reductions from SB 261 and the 2017 Legislative Session, including the additional 2.0% vacancy savings. Additional details of significant factors included in the statewide present law adjustment for personal services will be discussed at the program level.

**LFD
ISSUE**
Transferring Authority from Personal Services to Operating Expenses Appropriations Increases the 2021 Biennium Budget

In FY 2019, the Department of Labor and Industry eliminated approximately \$67,000 in personal services through modifications that moved authority out of personal services and into operating expenses.

Personal services appropriations for the 2021 biennium use the salary and related benefits associated with FTE to establish the level of appropriation required for personal services. Personal services appropriations for the 2021 biennium use the salary and related benefits associated with FTE to establish the level of appropriation required for personal services. Since the Department of Labor and Industry did not reduce FTE in the Commissioner's Office/CSD, Employment Relations Division, and Office of Community Services when it eliminated personal services funding in FY 2019, the personal services reduction automatically returns when the personal services snapshot is used to establish the base level of funding required in the 2021 biennium for those divisions. As a result, the department has a base budget \$67,000 higher each fiscal year than it would have been, had the appropriation remained in personal services instead of operating expenses, or as an alternative if FTE been reduced for the transfer of authority from personal services to operating expenses.

Legislative options:

- Reduce personal services funding supporting FTE in the Commissioner's Office/CSD, Employment Relations Division, and Office of Community Services to offset the transfer of personal services funding in FY 2019
- Reduce operating expenses in the Commissioner's Office/CSD, Employment Relations Division, and Office of Community Services by the amount restored
- Gain understanding from the agency regarding underlying specific funding requirements and adjust budget as needed

The Department of Labor and Industry will have 377 employees or 51.4% of staff who are eligible for retirement in the 2021 biennium. Some key occupations within the department have a significantly high rate of retirement eligible employees. For

example, approximately 66.0% of building codes inspectors are eligible for retirement. The department estimates \$535,000 in termination payouts in each fiscal year in the 2021 biennium.

In the past, the department has funded retirement payouts by holding positions vacant, reducing or delaying operating expenses, and transferring appropriations from operating expenses to personal services to cover the payouts. The department is uncertain if it will be able to continue to do so in the 2021 biennium, due to the number of employees with large payout liabilities who are eligible for retirement, and is currently monitoring the situation closely.

Pay may be a factor in hiring replacements for retirees. A comparison to the 2018 markets shows that the current pay scale for the Department of Labor and Industry will be below 85.0% of market in 35 occupations next year, due to a rise in market rates in these occupations (some as high as a 20.0% increase in the market midpoint). The department estimates that 220 employees or almost 30.0% of staff will fall below 85.0% of market if no adjustments are made.

Funding

The following table shows proposed agency funding by source of authority.

Total Department of Labor and Industry Funding by Source of Authority 2021 Biennium Budget Request - Department of Labor and Industry						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	3,945,485	0	0	0	3,945,485	0.82 %
State Special Total	101,147,518	0	0	1,681,404	102,828,922	21.35 %
Federal Special Total	66,332,203	0	0	0	66,332,203	13.77 %
Proprietary Total	0	0	307,769,208	801,434	308,570,642	64.06 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$171,425,206	\$0	\$307,769,208	\$2,482,838	\$481,677,252	
Percent - Total All Sources	35.59 %	0.00 %	63.90 %	0.52 %		

HB 2 Funding

General Fund

- General fund comprises less than 1.0% of the total funding for the Department of Labor and Industry
- General fund supports activities within the Commissioner's Office and Centralized Services Division, Employment Relations Division, and the Office of Community Services

State Special Revenue

- Approximately 20.0% of the total funding for the Department of Labor and Industry is from state special revenue appropriated in HB 2
- State special revenue funds include the employment security account, accounts for professional licensing boards or programs, and the uninsured employers fund
- The majority of state special revenue utilized by the department is from the employment security account, which generates revenue from an administrative assessment against the payrolls of Montana employers

Federal Special Revenues

- Approximately 13.8% of the total funding for the Department of Labor and Industry is from federal special revenue
- The uses and requirements for these funds are determined by the federal agencies granting the funding

Non-Budgeted Proprietary Funding

Proprietary funding is 63.9% of all funding for the Department of Labor and Industry. A majority of this funding is non-budgeted proprietary funding for unemployment benefits.

**LFD
COMMENT**

The employment security account is one of the major state special revenue accounts in the Department of Labor and Industry, and it provides funding to several different divisions within the department.

Statute outlines the allowed uses of the fund as follows:

- Unemployment insurance benefits
- Administration of the unemployment insurance
- Costs for collecting special administrative assessment
- Cost for employment offices including expenses for providing services to the business community
- Apprenticeship and training programs
- Displaced homemaker services
- Department of Labor and Industry research and analysis programs
- Wage and hour laws, prevailing wages, and collective bargaining expenses
- Principal, interest, and redemption of employment security revenue bonds

The following figure shows the revenues, expenditures, and fund balance for the account for the 2019 and 2021 biennia.

Figure 3

Department of Labor and Industry Employment Security Account (02258)				
	Actual FY 2018	Budgeted FY 2019	Proposed FY 2020	Proposed FY 2021
Beginning Fund Balance	\$4,056,190	\$5,007,668	\$4,148,984	\$4,397,231
Revenues				
Charges for Services	-	300	300	300
Investment Earnings	97,574	21,861	21,861	21,861
Contributions/Premiums	19,114,725	19,580,715	19,970,916	20,368,921
Grants/Transfers/Misc	-	5,000	5,000	5,000
Total Revenues	19,212,299	19,607,876	19,998,077	20,396,082
HB 2 Budgeted Expenditures				
Workforce Services Division	11,588,768	12,031,887	12,549,153	12,551,820
Unemployment Insurance Div.	4,947,988	5,067,833	5,273,836	5,319,390
Commissioner's Office	236,089	285,618	299,533	299,991
Employment Relations Division	1,500,557	1,590,091	1,627,308	1,625,622
Technology Services Division	-	-	-	-
Total Expenditures	18,273,402	18,975,429	19,749,830	19,796,823
Other Expenditures				
Department of Commerce	-	-	-	-
Workforce Services Division	-	107	-	-
Unemployment Insurance Div.	-	1,304,979	-	-
Commissioner's Office	-	186,045	-	-
Total Other Expenditures	-	1,491,131	-	-
Adjustments	12,581	-	-	-
Ending Fund Balance	\$5,007,668	\$4,148,984	\$4,397,231	\$4,996,490

Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	1,792,229	1,792,229	3,584,458	90.85 %	82,188,081	82,188,081	164,376,162	95.89 %
SWPL Adjustments	180,734	180,293	361,027	9.15 %	2,961,664	2,977,177	5,938,841	3.46 %
PL Adjustments	0	0	0	0.00 %	627,896	482,307	1,110,203	0.65 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$1,972,963	\$1,972,522	\$3,945,485		\$85,777,641	\$85,647,565	\$171,425,206	

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	31,941,169	32,538,990	597,821	1.87 %
Operating Expenses	14,194,615	13,639,903	(554,712)	(3.91)%
Equipment & Intangible Assets	25,816	25,816	0	0.00 %
Grants	11,059,840	11,282,140	222,300	2.01 %
Transfers	146,928	203,628	56,700	38.59 %
Debt Service	309,974	308,774	(1,200)	(0.39)%
Total Expenditures	\$57,678,342	\$57,999,251	\$320,909	0.56 %
State/Other Special Rev. Funds	23,764,194	25,100,973	1,336,779	5.63 %
Federal Spec. Rev. Funds	33,914,148	32,898,278	(1,015,870)	(3.00)%
Total Funds	\$57,678,342	\$57,999,251	\$320,909	0.56 %
Total Ongoing	\$57,678,342	\$57,999,251	\$320,909	0.56 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Biennium Comparison -

The biennium comparison table shows a total increase of 0.6%, which for the Workforce Services Division is significantly influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the change is actually a decrease of 0.8%.

Program Description

The Workforce Services Division (WSD) works to help Montana employers understand the labor market and have a skilled and ready workforce that meets their needs. The WSD also helps Montana workers understand the job market and have access to skills development opportunities and job search assistance services. The division provides businesses, job seekers, workforce and economic development partners, educators, students, and the general public a place to learn about the workforce and connect with each other.

The Workforce Services Division operates through four bureaus:

- The Job Service Operations Bureau coordinates and guides the delivery of workforce development services to communities through a network of 16 Job Service Centers across the state
- The Strategic Initiatives and Workforce Programs Bureau operates the Registered Apprenticeship & Training Program, the Jobs for Montana Graduates Program, as well as the Work Opportunity Tax Credit (WOTC) Program
- The Research and Analysis Bureau works in partnership with the US Department of Labor to provide labor market information that is used at the national and state level by businesses, policy makers, and educators. The bureau also provides kindergarten-through-adult career resources for use by educators, students, workforce development agencies, and job seekers
- The Division Management Services Bureau performs fiscal and policy oversight operations for the division

Also housed within WSD are the Incumbent Worker Training Program and State Workforce Innovation Board (SWIB).

Program Highlights

Workforce Services Division Major Budget Highlights
<ul style="list-style-type: none"> • The Workforce Services Division's 2021 biennium budget request is approximately \$321,000 or 0.6% higher than the 2019 biennium budget • Proposed changes include: <ul style="list-style-type: none"> ◦ Increases in state and federal special revenue for statewide present law adjustments for personal services, fixed costs, and inflation/deflation ◦ Increases in state special revenue for the Montana Career Information System (MCIS) due to expiring federal grant funding
Major LFD Issues
<ul style="list-style-type: none"> • A proposed funding switch for the MCIS is more appropriately categorized as a new proposal • Funding for the HELP Act Workforce Development Program is included in the base budget

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	238.00	238.00	238.00	238.00
Personal Services	13,770,994	15,573,646	16,367,523	16,267,003	16,271,987
Operating Expenses	5,599,009	7,252,648	6,941,967	6,817,200	6,822,703
Equipment & Intangible Assets	0	12,908	12,908	12,908	12,908
Grants	4,372,862	5,418,770	5,641,070	5,641,070	5,641,070
Transfers	172,079	45,114	101,814	101,814	101,814
Debt Service	210,852	155,587	154,387	154,387	154,387
Total Expenditures	\$24,125,796	\$28,458,673	\$29,219,669	\$28,994,382	\$29,004,869
State/Other Special Rev. Funds	11,626,594	11,732,307	12,031,887	12,549,153	12,551,820
Federal Spec. Rev. Funds	12,499,202	16,726,366	17,187,782	16,445,229	16,453,049
Total Funds	\$24,125,796	\$28,458,673	\$29,219,669	\$28,994,382	\$29,004,869
Total Ongoing	\$24,125,796	\$28,458,673	\$29,219,669	\$28,994,382	\$29,004,869
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The Workforce Services Division expended 84.8% of its \$28.5 million HB 2 modified budget in FY 2018. Personal services, operating expenses, and grants were all under-expended due a lack of federal grant dollars to support the appropriation, which resulted in the closure of several job services offices.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations for the Workforce Services Division are approximately \$761,000 or 2.7% higher than the FY 2018 total appropriation due to:

- State share contribution reductions for FY 2018, totaling \$481,000
- Several executive modifications, which resulted in an increase of \$55,000 for FY 2019
- SB 294 pay plan increase in FY 2019, totaling \$136,000
- An increase in the statewide present law adjustments for FY 2019, in the amount of \$56,000
- Decrease in workers' compensation in FY 2018, in the amount of \$14,000

Executive Request

The Workforce Services Division budget proposed by the executive is \$321,000 or 0.6% greater than the 2019 biennium budget.

Personal services were \$16.4 million or 56.0% of total FY 2019 appropriations. The executive proposes decreases in state and federal special revenue, totaling approximately \$101,000 in FY 2020 and \$96,000 in FY 2021. This decrease is primarily due to the statewide present law adjustment for personal services, which will be discussed in detail in the Program Personal Services section below.

Operating expenses were approximately \$6.9 million or 23.8% of total FY 2019 appropriations. The executive proposes decreases in state and federal special revenue, totaling approximately \$125,000 in FY 2020 and \$119,000 in FY 2021. This change is primarily due to decreases from the statewide present law adjustment for fixed costs and increases from a new proposal for the Montana Career Information System (MCIS), which will be discussed in detail in the Present Law Adjustments and New Proposals sections below.

**LFD
ISSUE**Funding for the HELP Act Workforce Development Program is Included in the Base Budget

As a part of the Health and Economic Livelihood Partnership (HELP) Act passed in SB 405 by the 2015 Legislature, the Department of Labor and Industry received funding to provide workforce development opportunities for program participants. The goal of this workforce development program was to focus on specific labor force needs within the state of Montana, reduce the number of people depending on social programs (including the HELP Act program), and increase the earning capacity, economic stability, and self-sufficiency of program participants so that, among other benefits, they would be able to purchase their own health insurance coverage.

The Workforce Services Division received a HB 2 appropriation of approximately \$884,000 in state special revenue for both FY 2018 and FY 2019, in order to offer workforce development opportunities to program participants. This appropriation is included in the base budget for the Workforce Services Division for the 2021 biennium, but due to the June 30, 2019 sunset date for the HELP Act, the appropriation might be more appropriately included in the 2021 biennium budget request as a new proposal.

Legislative options:

- Adopt the executive budget, contingent on the reauthorization of the HELP Act
- Eliminate \$884,000 in state special revenue from each year of the 2021 biennium budget
- Adopt the executive budget for the Workforce Services Division as proposed

Program Personal Services

Personal services were \$16.4 million or 56.0% of total FY 2019 appropriations for the Workforce Services Division. The executive proposes a statewide present law decrease of approximately \$101,000 in FY 2020 and a decrease of \$96,000 in FY 2021.

In addition to the formula-based changes, the 2021 biennium personal service statewide present law request includes management decisions and the proposed reinstatement of personal services. The request increases the amount of funding from state special revenue and decreases the amount of funding from federal special revenue.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover
- FTE movement between the Workforce Services Division and other programs in the Department of Labor and Industry:
 - The transfer of 2.00 FTE to the Business Standards Division for the Prescription Drug Monitoring Program and business systems analyst positions
 - The transfer of 11.00 FTE to the Business Standards Division to bring licensing and inspecting staff to the level necessary to meet job demand
 - The transfer of federal authority for 1.00 vacant FTE to the Unemployment Insurance Division to make a modified position for a fraud investigator permanent
 - The transfer of funding for 1.92 FTE to the Employment Relations Division for the Occupational Injuries & Illnesses and the Census of Fatal Occupational Injuries, which allows the Safety and the Occupational Safety and Health Administration (OSHA) programs to reside in one division
- Several executive modifications which transferred funds between personal services and other accounts such as operating expenses. These modifications were made in order to allow expenditures to be recorded in the correct funding source and subclass

The proposed reinstatement of personal services includes:

- The reinstatement of the 2017 Regular Session budget cuts
- Increases due to changes in vacancy savings requirements
 - The change from the 2016 snapshot of 4.0% to the 2018 snapshot of 2.0%
 - The reduction of the extra 2.0% legislatively imposed vacancy savings in the 2017 Regular Session

Funding

The following table shows proposed program funding by source of authority.

Department of Labor and Industry, 01-Work Force Services Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	0	0	0	0	0	0.00 %	
02242 Contracts From PHHS	0	0	0	0	0	0.00 %	
02252 DLI Operations	0	0	0	0	0	0.00 %	
02258 Employment Security Account	25,100,973	0	0	0	25,100,973	100.00 %	
02455 Workers' Comp Regulation	0	0	0	0	0	0.00 %	
02347 Safety Administration Fund	0	0	0	0	0	0.00 %	
State Special Total	\$25,100,973	\$0	\$0	\$0	\$25,100,973	43.27 %	
03124 Employment Trng Grants	14,843,330	0	0	0	14,843,330	45.12 %	
03128 L & I Federal Funding	732,619	0	0	0	732,619	2.23 %	
03131 OSHA Stat Prgm Fed.St Sdy	0	0	0	0	0	0.00 %	
03194 Research & Analysis BLS	1,629,738	0	0	0	1,629,738	4.95 %	
03297 Labor And Industry Veteran Gra	1,412,505	0	0	0	1,412,505	4.29 %	
03338 Contracts From PHHS	0	0	0	0	0	0.00 %	
03682 Wagner Peyser	11,046,722	0	0	0	11,046,722	33.58 %	
03692 Alien Labor Certification(ALC)	430,923	0	0	0	430,923	1.31 %	
03693 Wrk Opportunities Tx Crdt/WOTC	119,059	0	0	0	119,059	0.36 %	
03694 Trade Adjustment Assist/NAFTA	1,397,509	0	0	0	1,397,509	4.25 %	
03954 UI Administrative Grants	1,285,873	0	0	0	1,285,873	3.91 %	
03662 TAACCT Grant	0	0	0	0	0	0.00 %	
03985 Data Management Unit Grant	0	0	0	0	0	0.00 %	
Federal Special Total	\$32,898,278	\$0	\$0	\$0	\$32,898,278	56.71 %	
06051 Montana Career Info System	0	0	16,322	0	16,322	100.00 %	
Proprietary Total	\$0	\$0	\$16,322	\$0	\$16,322	0.03 %	
Total All Funds	\$57,999,251	\$0	\$16,322	\$0	\$58,015,573		

HB 2 Funding

State Special Revenue

- All state special revenue funding for the Workforce Services Division is from the employment security account
- The revenue for this account is generated from an administrative assessment against the payrolls of Montana employers. Statute enumerates the use of the fund, including the operating expenses of the Job Services offices

Federal Special Revenues

- The majority of federal special revenues are from two federal programs: Wagner-Peyser Act and Workforce Innovation and Opportunity Act (WIOA) employment training grant. The uses and requirements for these funds are determined by the federal agencies granting the funding.

Non-Budgeted Proprietary Funding

Proprietary funding is received from rates charged to entities participating in the Montana Career Information System and is discussed in the Proprietary Rates section of the narrative.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	
2019 Base Budget	0	0	0	0.00 %	29,219,669	29,219,669	58,439,338	100.76 %	
SWPL Adjustments	0	0	0	0.00 %	(310,287)	(299,800)	(610,087)	(1.05)%	
PL Adjustments	0	0	0	0.00 %	85,000	85,000	170,000	0.29 %	
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %	
Total Budget	\$0	\$0	\$0		\$28,994,382	\$29,004,869	\$57,999,251		

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	420,532	(521,052)	(100,520)	0.00	0	420,136	(515,672)	(95,536)
DP 2 - Fixed Costs	0.00	0	1,886	(238,944)	(237,058)	0.00	0	2,577	(240,709)	(238,132)
DP 3 - Inflation Deflation	0.00	0	9,848	17,443	27,291	0.00	0	12,220	21,648	33,868
DP 1001 - MCIS Funding	0.00	0	85,000	0	85,000	0.00	0	85,000	0	85,000
Grand Total All Present Law Adjustments	0.00	\$0	\$517,266	(\$742,553)	(\$225,287)	0.00	\$0	\$519,933	(\$734,733)	(\$214,800)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

LFD COMMENT	<p>The statutory definition of a new proposal includes requests to change sources of funding. As shown in the Present Law Adjustment table, the executive statewide present law adjustment for personal services proposes to increase state special revenue by approximately \$420,000 and decrease federal special revenue by approximately \$520,000 in each year of the 2021 biennium. This shift in funding occurs because of the transfer of 11.00 FTE to the Business Standards Division. This transfer was made in part due to a loss of federal funding and also to bring licensing and inspecting staff in the Business Standards Division to the level necessary to meet job demand.</p> <p>The legislature may want to consider this request as they would a new proposal, and work with the agency to gain an understanding of the underlying funding requirements making this change in source of funding necessary.</p>
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DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 1001 - MCIS Funding -

The executive requests ongoing state special revenue in FY 2020 and FY 2021 for the Montana Career Information System (MCIS). The MCIS is a comprehensive career information delivery system that is accessible online. In the past it has been funded with non-budgeted proprietary funds and federal grant money. The MCIS has been available at no cost to Montanans through that grant funding, which has since expired. The division charges a fee for optional components used by other organizations, and the executive is requesting this appropriation in order to continue providing the basic service free of costs.

LFD COMMENT

The MCIS was previously supported by the Trade Adjustment Assistance Community College and Career Training (TAACCCT) federal grant. Because the TAACCCT grant has expired, it will not be a funding source for the MCIS in the future.

In the 2017 Regular Session, the executive proposed ongoing state special revenue authority from the employment security account for the MCIS, but due to a tight budget the request was not approved. In the 2019 biennium, the Department of Labor and Industry unexpectedly had carryforward authority from the Workforce Improvement Grant (WIG) which was used to support the MCIS.

Through DP 1001 the executive is requesting this funding again in the 2019 legislative session as a present law adjustment. This request is more appropriately categorized as a new proposal and should be evaluated by the legislature as they would consider a new proposal.

Other Issues -

Proprietary Rates

Fund 06051 - Montana Career Information System

Proprietary Proposed Budget

The following 2021 Biennium Report on Internal Service and Enterprise Funds for fund 06051 shows the actual and projected revenues and expenses associated with the fund from FY 2018 through FY 2021. The report is provided as submitted by the executive, but the LFD has edited and reconfigured the figure for clarity.

Figure 4

2021 Biennium Report on Internal Service and Enterprise Funds				
Agency #	Agency Name	Program Name		
66020	Labor and Industry	Workforce Services Division		
Fund	Fund Name			
06051	Montana Career Information System			
	Actual FY 2018	Budgeted FY 2019	Proposed FY 2020	Proposed FY 2021
Operating Revenues:				
Fee and Charges				
Fee Revenue A	1,850	8,161	8,161	8,161
Total Operating Revenues	1,850	8,161	8,161	8,161
Expenses:				
Other Operating Expenses	1,650	8,161	8,161	8,161
Total Operating Expenses	1,650	8,161	8,161	8,161
Operating Income (Loss)	200	-	-	-
Change in Net Position	200	-	-	-
Beginning Net Position - July 1	4,034	4,234	4,234	4,234
Prior Period Adjustments	-	-	-	-
Change in Net Position	200	-	-	-
Ending Net Position - June 30	\$4,234	\$4,234	\$4,234	\$4,234
Net Position (Fund Balance) Analysis				

Proprietary Program Description

The Montana Career Information System (MCIS) has been active in Montana since 1980. The purpose of MCIS is to deliver current career and labor market information to Montanans in an easy-to-use and easy-to-understand format. The MCIS is the only career information delivery system in the country that has specific Montana labor market information included in each file.

The MCIS is currently being funded by federal funds through the Workforce Information Grants (WIG) from the Employment and Training Administration for a wide variety of users:

- Job service offices
- Vocational rehabilitation offices
- High schools
- Community colleges
- Universities
- Tribal colleges
- Educational and training agencies
- Home use
- Adult education programs

There are currently optional components of MCIS not funded by WIG funds such as the Interest Determination, Exploration and Assessment System (IDEAS), Peterson Practice Tests, and Dependable Strengths that requires the program to collect fees associated with each optional component.

Proprietary Program Narrative

Expenses

The expenses of the proprietary program are limited to the operational expenses of the optional features. These are typically site-specific licensing fees.

Revenues

Revenue is generated through fees for purchase of a one-year optional component license. The department collects the fees from the sites purchasing the license or assessment, and then pays those fees to the service provider on a one-to-one ratio.

Proprietary Rates

For the 2021 biennium, the following rates are proposed by the executive:

Figure 5

Requested Rates for Internal Service Funds Fee/Rate Information				
	Actual FY 2018	Budgeted FY 2019	Proposed FY 2020	Proposed FY 2021
Fee Description: fees are collected from schools and transferred to MCIS contractor on a 1:1 ratio				
IDEAS Assessment @ \$100/test (\$125 SFY 18)	250	3,750	3,750	3,750
Dependable Strengths Assessment @ \$200/test	-	-	-	-
Peterson's Academic Practice Tests - Pkg 1 @\$225/test (\$250 SFY 18)	1,000	2,250	2,250	2,250
Peterson's Academic Practice Tests - Pkg 2 @\$175/test (\$200 SFY 18)	400	1,050	1,050	1,050
Peterson's Civil Service Practice Tests @ \$175/test (\$200 SFY 18)	200	1,000	1,000	1,000
Misc.	-	111	111	111
Total	\$1,850	\$8,161	\$8,161	\$8,161

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	18,749,939	20,103,265	1,353,326	7.22 %
Operating Expenses	12,496,617	12,930,466	433,849	3.47 %
Capital Outlay	6,300	0	(6,300)	(100.00)%
Debt Service	66,710	59,810	(6,900)	(10.34)%
Total Expenditures	\$31,319,566	\$33,093,541	\$1,773,975	5.66 %
State/Other Special Rev. Funds	10,219,267	10,642,664	423,397	4.14 %
Federal Spec. Rev. Funds	21,100,299	22,450,877	1,350,578	6.40 %
Total Funds	\$31,319,566	\$33,093,541	\$1,773,975	5.66 %
Total Ongoing	\$31,319,566	\$33,093,541	\$1,773,975	5.66 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Unemployment Insurance (UI) Division administers the state unemployment insurance law and related federal programs, which provide temporary, partial wage replacement to unemployed workers.

The Unemployment Insurance Division operates through three bureaus:

- The Contributions Bureau is responsible for unemployment insurance employer registration, contribution rate assignments, tax and wage report collection, wage revisions, and employer audits
- The Claims Processing Bureau has claims processing centers in Helena and Billings that process unemployment insurance claims (monetary eligibility, issue investigation, adjudication, and employer charging), assist with claim filing, and respond to all UI claim-related inquiries. The Claims Processing Bureau is also responsible for Trade Readjustment Assistance, military, federal, and multi-state claims
- The Program Support Bureau manages the division budget and accounting and the unemployment insurance trust fund. The Program Support Bureau is also responsible for federal reporting, benefit compliance, tax and benefit quality and program integrity oversight, and operations support, including administrative support of the Unemployment Insurance Appeals Board

Program Highlights

Unemployment Insurance Division Major Budget Highlights
<ul style="list-style-type: none"> • The Unemployment Insurance Division's 2021 biennium budget request is approximately \$1.8 million or 5.7% higher than the 2019 biennium budget • Proposed changes include: <ul style="list-style-type: none"> ◦ Increases in state and federal special revenue for statewide present law adjustments for personal services, fixed costs, and inflation/deflation ◦ Increases in state special revenue to facilitate payment of the anticipated increases to the maintenance contract for the Unemployment Insurance Tax System

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	148.61	148.61	148.61	148.61
Personal Services	9,244,133	9,393,817	9,356,122	10,051,605	10,051,660
Operating Expenses	5,555,225	6,139,381	6,357,236	6,443,394	6,487,072
Capital Outlay	6,276	6,300	0	0	0
Debt Service	36,358	36,805	29,905	29,905	29,905
Total Expenditures	\$14,841,992	\$15,576,303	\$15,743,263	\$16,524,904	\$16,568,637
State/Other Special Rev. Funds	4,950,831	5,126,715	5,092,552	5,298,555	5,344,109
Federal Spec. Rev. Funds	9,891,161	10,449,588	10,650,711	11,226,349	11,224,528
Total Funds	\$14,841,992	\$15,576,303	\$15,743,263	\$16,524,904	\$16,568,637
Total Ongoing	\$14,841,992	\$15,576,303	\$15,743,263	\$16,524,904	\$16,568,637
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The Unemployment Insurance Division expended 95.3% of its \$15.6 million HB 2 modified budget in FY 2018. Operating expenses were slightly under-expended due to the use of one-time-only grant funds for IT projects, which freed up some of the base appropriation.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations for the Unemployment Insurance Division are approximately \$167,000 or 1.1% higher than the FY 2018 total appropriation.

There were several increases in the difference between the FY 2018 and FY 2019 appropriations due to:

- State share contribution reductions for FY 2018, totaling \$297,000
- SB 294 pay plan increase in FY 2019, totaling \$76,000
- An increase in the statewide present law adjustments for FY 2019, in the amount of \$21,000

- An increase in FY 2019 for an incremental contract adjustment for the division's unemployment insurance tax system, the Status, Tax Accounting, Audit, & Rating System (STAARS), totaling \$25,000

There was also a decrease in the difference between the FY 2018 and FY 2019 appropriations due to:

An executive modification, which transferred \$255,000 from the Employment Relations Division and Centralized Services to the Unemployment Insurance Division for their needs in personal services and operating expenses in FY 2018

Executive Request

The Unemployment Insurance Division budget proposed by the executive is \$1.8 million or 5.7% greater than the 2019 biennium budget.

Personal services were \$9.4 million or 59.4% of total FY 2019 appropriations. The executive proposes an increase in state and federal special revenue, totaling approximately \$695,000 in FY 2020 and \$696,000 in FY 2021. This increase is primarily due to the statewide present law adjustment for personal services, which will be discussed in detail in the Program Personal Services section below.

Operating expenses were approximately \$6.4 million or 40.4% of total FY 2019 appropriations. The executive proposes an increase in state and federal special revenue, totaling approximately \$86,000 in FY 2020 and \$130,000 in FY 2021. This increase is primarily due to the statewide present law adjustment for fixed costs and a new proposal for the unemployment insurance tax system maintenance, which will be discussed in detail in the Present Law Adjustments and New Proposals sections below.

Program Personal Services

Personal services were \$9.4 million or 59.4% of total FY 2019 appropriations for the Unemployment Insurance Division. The executive proposes a statewide present law increase of approximately \$695,000 for FY 2020 and \$696,000 for FY 2021.

In addition to the formula-based changes, the 2021 biennium personal service statewide present law request includes management decisions and the proposed reinstatement of personal services.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover
- FTE movement from other programs within the Department of Labor and Industry to the Unemployment Insurance Division:
 - The transfer of 1.00 vacant FTE from the Workforce Services Division to make a modified position for a fraud investigator permanent
 - A program transfer which transferred funds from the Workforce Services Division to the Unemployment Insurance Division in order to transfer federal spending authority along with the transfer of FTE

The proposed reinstatement of personal services includes:

- The reinstatement of the 2017 Regular Session budget cuts
- Increases due to changes in vacancy savings requirements
 - The change from the 2016 snapshot of 4.0% to the 2018 snapshot of 2.0%
 - The reduction of the extra 2.0% legislatively imposed vacancy savings in the 2017 Regular Session

Funding

The following table shows proposed program funding by source of authority.

Department of Labor and Industry, 02-Unemployment Insurance Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02103 BSD Capital Assets	0	0	0	0	0	0.00 %	
02258 Employment Security Account	10,593,226	0	0	0	10,593,226	99.54 %	
02315 DLI Info Exchange/Rental	49,438	0	0	0	49,438	0.46 %	
State Special Total	\$10,642,664	\$0	\$0	\$0	\$10,642,664	3.53 %	
03124 Employment Trng Grants	0	0	0	0	0	0.00 %	
03278 UI PENALTY & INTEREST	1,296,969	0	0	0	1,296,969	5.78 %	
03954 UI Administrative Grants	21,153,908	0	0	0	21,153,908	94.22 %	
03967 UI Reed Act	0	0	0	0	0	0.00 %	
Federal Special Total	\$22,450,877	\$0	\$0	\$0	\$22,450,877	7.45 %	
06069 UI Tax Benefit Fund	0	0	268,417,592	0	268,417,592	100.00 %	
Proprietary Total	\$0	\$0	\$268,417,592	\$0	\$268,417,592	89.02 %	
Total All Funds	\$33,093,541	\$0	\$268,417,592	\$0	\$301,511,133		

HB 2 Funding

The HB 2 funded functions of the division support the administrative and operational portions of unemployment insurance.

State Special Revenues

- The majority of the state special revenues are derived from an assessment charged to employers as a percentage of their payroll and deposited into the employment security account

Federal Revenues

- Unemployment insurance administrative grants are federal funds that Montana receives for the administration of the Unemployment Insurance Division. Montana businesses pay a federal unemployment tax that is partially used to fund these grants

Non-Budgeted Proprietary Funding

State unemployment taxes (SUTA) are paid into a proprietary account to fund unemployment benefits for claimants. The amount of the tax depends on the ratio of the unemployment insurance trust fund balance to the total covered wages in Montana and the employer’s experience. Montana uses 11 schedules with 10 contribution rates in each schedule to assess SUTA. These funds will be discussed in the Proprietary Rates section of the narrative.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	15,743,263	15,743,263	31,486,526	95.14 %
SWPL Adjustments	0	0	0	0.00 %	731,641	725,374	1,457,015	4.40 %
PL Adjustments	0	0	0	0.00 %	50,000	100,000	150,000	0.45 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$16,524,904	\$16,568,637	\$33,093,541	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2020					Fiscal 2021				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	141,557	553,926	695,483	0.00	0	142,000	553,538	695,538
DP 2 - Fixed Costs	0.00	0	12,745	21,424	34,169	0.00	0	7,446	19,922	27,368
DP 3 - Inflation Deflation	0.00	0	1,701	288	1,989	0.00	0	2,111	357	2,468
DP 2001 - UI Tax System Maintenance	0.00	0	50,000	0	50,000	0.00	0	100,000	0	100,000
Grand Total All Present Law Adjustments	0.00	\$0	\$206,003	\$575,638	\$781,641	0.00	\$0	\$251,557	\$573,817	\$825,374

**Total Funds* amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 2001 - UI Tax System Maintenance -

The executive requests a base appropriation adjustment to facilitate payment of the anticipated increases to the maintenance contract for the Unemployment Insurance (UI) Tax System. The request is for ongoing state special revenue funding.

Other Issues -

Proprietary Rates

Fund 06069 – Unemployment Insurance (UI) Tax Benefit Fund

Proprietary Proposed Budget

The following 2021 Biennium Report on Internal Service and Enterprise Funds for fund 06069 shows the actual and projected revenues and expenses associated with the fund from FY 2018 through FY 2021. The report is provided as submitted by the executive, but the LFD has edited and reconfigured the figure for clarity.

Figure 6

2021 Biennium Report on Internal Service and Enterprise Funds

Agency #	Agency Name	Program Name		
66020	Labor and Industry	Unemployment Insurance Division		
	Fund	Fund Name		
	06069	Unemployment Tax Benefit Fund		
	Actual FY 2018	Budgeted FY 2019	Proposed FY 2020	Proposed FY 2021
Operating Revenues:				
Fee and Charges				
Investment Earnings	6,957,590	6,916,000	7,054,320	7,195,406
Premiums	109,336,840	112,616,945	114,869,284	117,166,669
Other Operating Revenues	9,587,620	10,067,001	10,268,341	10,473,708
Total Operating Revenues	125,882,050	129,599,946	132,191,945	134,835,784
Expenses:				
Other Operating Expenses	113,842,014	134,208,796	134,208,796	134,208,796
Total Operating Expenses	113,842,014	134,208,796	134,208,796	134,208,796
Operating Income (Loss)	12,040,036	(4,608,850)	(2,016,851)	626,988
Change in Net Position	12,040,036	(4,608,850)	(2,016,851)	626,988
Beginning Net Position - July 1	298,631,096	311,447,971	306,839,121	304,822,270
Prior Period Adjustments	776,839	-	-	-
Change in Net Position	12,040,036	(4,608,850)	(2,016,851)	626,988
Ending Net Position - June 30	\$311,447,971	\$306,839,121	\$304,822,270	\$305,449,258
Net Position (Fund Balance) Analysis				

Program Description

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

*Proprietary Program Narrative*Expenses

Significant costs for the program are unemployment insurance benefits paid to claimants while unemployed, including federal withholding tax and child support payments the claimants have elected to be taken out of the benefit check.

Revenues

The revenues received in the proprietary fund are from unemployment insurance tax collections, federal reimbursement for claims on federal employees, military personnel, claimants in other states, and interest earnings to the unemployment insurance trust fund.

Proprietary Rates

The Unemployment Insurance Division administers the state unemployment insurance law. There is no proprietary rate but a collection of contributions from employers that are used to pay the unemployment insurance benefits to claimants who have involuntarily become unemployed. The rate calculation is set in statute under 39-51-1217, MCA.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	1,597,618	1,769,917	172,299	10.78 %
Operating Expenses	632,455	739,018	106,563	16.85 %
Capital Outlay	50,776	0	(50,776)	(100.00)%
Debt Service	4,554	4,788	234	5.14 %
Total Expenditures	\$2,285,403	\$2,513,723	\$228,320	9.99 %
General Fund	531,999	615,892	83,893	15.77 %
State/Other Special Rev. Funds	692,628	755,875	63,247	9.13 %
Federal Spec. Rev. Funds	1,060,776	1,141,956	81,180	7.65 %
Total Funds	\$2,285,403	\$2,513,723	\$228,320	9.99 %
Total Ongoing	\$2,285,403	\$2,513,723	\$228,320	9.99 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Commissioner's Office and the Centralized Services Division (CSD) provide program direction, legal, administration, and support services to the department's six programs and two administratively attached entities.

Program Highlights

Commissioner's Office/Centralized Services Division Major Budget Highlights
<ul style="list-style-type: none"> • The Commissioner's Office/CSD's 2021 biennium budget request is approximately \$228,000 or 10.0% higher than the 2019 biennium budget • Proposed changes include: <ul style="list-style-type: none"> ◦ Increases in statewide present law adjustments for personal services, fixed costs, and inflation/deflation
Major LFD Issues
<ul style="list-style-type: none"> • SB 9 restorations to operating expenses instead of personal services increase the total 2021 biennium appropriations by \$24,000 each year

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	10.50	10.50	10.50	10.50
Personal Services	725,108	782,489	815,129	883,345	886,572
Operating Expenses	221,512	266,260	366,195	369,089	369,929
Capital Outlay	50,775	50,776	0	0	0
Debt Service	2,057	2,160	2,394	2,394	2,394
Total Expenditures	\$999,452	\$1,101,685	\$1,183,718	\$1,254,828	\$1,258,895
General Fund	244,513	244,627	287,372	307,317	308,575
State/Other Special Rev. Funds	258,554	333,621	359,007	377,562	378,313
Federal Spec. Rev. Funds	496,385	523,437	537,339	569,949	572,007
Total Funds	\$999,452	\$1,101,685	\$1,183,718	\$1,254,828	\$1,258,895
Total Ongoing	\$999,452	\$1,101,685	\$1,183,718	\$1,254,828	\$1,258,895
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The Commissioner's Office and Centralized Services Division expended 90.7% of its \$1.1 million HB 2 modified budget in FY 2018. Both personal services and operating expenses were under-expended, in part due to the department's decreased utilization of the employment security account state special revenue fund. The largest portion of the unspent authority occurred within the Business Standards Division Hearings fund, which is used by the division's Office of Administrative Hearings (OAH) when hearing cases from the Business Standards Division. The OAH caseload in that area was relatively low for FY 2018 and tends to be extremely variable from year to year.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations for the Commissioner's Office and Centralized Services Division are approximately \$82,000 or 7.4% higher than the FY 2018 total appropriation due to:

- State share contribution reductions for FY 2018, totaling \$19,000
- An increase in the FY 2019 appropriation due to the SB 9 restorations of approximately \$29,000
- Three executive modifications, which resulted in an increase of \$26,000 in FY 2019
- SB 294 pay plan increase in FY 2019, totaling \$6,000

Executive Request

The Commissioner's Office and Centralized Services Division budget proposed by the executive is \$228,000 or 10.0% greater than the 2019 biennium budget.

Personal services were \$815,000 or 68.9% of total FY 2019 appropriations. The executive proposes an increase in general fund, state special revenue, and federal special revenue, totaling approximately \$68,000 in FY 2020 and \$71,000 in FY 2021. This increase is due to the statewide present law adjustment for personal services, which will be discussed in detail in the Program Personal Services section below.

Operating expenses were approximately \$366,000 or 30.9% of total FY 2019 appropriations. The executive proposes an increase in general fund, state special revenue, and federal special revenue, totaling approximately \$3,000 in FY 2020 and \$4,000 in FY 2021. This increase is due to the statewide present law adjustment for fixed costs and inflation/deflation, which will be discussed in detail in the Present Law Adjustments section below.

Program Personal Services

Personal services were \$815,000 or 68.9% of total FY 2019 appropriations for the Commissioner's Office/Centralized Services Division. The executive proposes a statewide present law increase of approximately \$68,000 in FY 2020 and an increase of \$71,000 in FY 2021.

In addition to the formula-based changes, the 2021 biennium personal service statewide present law request includes management decisions, the proposed reinstatement of personal services, and a modification to the personal services base budget.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover
- Three program transfers which moved federal funds in order to record expenditures in the correct funding source
- Another program transfer which moved funds to the Unemployment Insurance Division, which was unable to meet the mandated 6% vacancy savings

The proposed reinstatement of personal services includes:

- The reinstatement of the 2017 Regular Session budget cuts
- Reinstatement of the SB 261 pay plan reductions
- The SB 9 general fund restorations
- Increases due to changes in vacancy savings requirements
 - The change from the 2016 snapshot of 4.0% to the 2018 snapshot of 2.0%
 - The reduction of the extra 2.0% legislatively imposed vacancy savings in the 2017 Regular Session

The modification to the personal services base budget includes reductions approved during the November 2017 Special Session that were applied to personal services, but were restored to operating expenses. This modification has increased the personal services base budget.

LFD ISSUE

Transferring Authority from Personal Services to Operating Expenses Appropriations Increases the 2021 Biennium Budget

In FY 2019, the Commissioner's Office/CSD eliminated approximately \$24,000 in personal services as part of its reductions required by the November 2017 Special Session.

Personal services appropriations for the 2021 biennium use the salary and related benefits associated with FTE to establish the level of appropriation required for personal services. Since the Commissioner's Office/CSD did not reduce FTE along with the eliminated personal services funding in FY 2019, the personal services reduction automatically returns when the personal services snapshot is used to establish the base level of funding required in the 2021 biennium. As a result, the Commissioner's Office/CSD has a base budget \$24,000 higher each fiscal year than it would have been, had the appropriation remained in personal services instead of operating expenses, or as an alternative if FTE been reduced for the transfer of authority from personal services to operating expenses.

Legislative options:

- Reduce personal services funding supporting FTE to offset the transfer of personal services funding in FY 2019
- Reduce operating expenses by the amount restored
- Gain understanding from the agency regarding underlying specific funding requirements and adjust budget as needed

Funding

The following table shows proposed program funding by source of authority.

Department of Labor and Industry, 03-Commissioner's Office/csd Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	615,892	0	0	0	615,892	3.66 %	
02233 BSD Hearings	137,669	0	0	0	137,669	18.21 %	
02258 Employment Security Account	599,524	0	0	0	599,524	79.32 %	
02315 DLI Info Exchange/Rental	2,142	0	0	0	2,142	0.28 %	
02455 Workers' Comp Regulation	0	0	0	0	0	0.00 %	
02941 Uninsured Employer Fund	16,540	0	0	0	16,540	2.19 %	
State Special Total	\$755,875	\$0	\$0	\$0	\$755,875	4.49 %	
03122 EEOC	64,120	0	0	0	64,120	5.61 %	
03694 Trade Adjustment Assist/NAFTA	300	0	0	0	300	0.03 %	
03954 UI Administrative Grants	1,077,536	0	0	0	1,077,536	94.36 %	
Federal Special Total	\$1,141,956	\$0	\$0	\$0	\$1,141,956	6.78 %	
06546 Commissioner's Office/CSD	0	0	8,750,968	0	8,750,968	61.07 %	
06552 Admin Services	0	0	5,577,293	0	5,577,293	38.93 %	
Proprietary Total	\$0	\$0	\$14,328,261	\$0	\$14,328,261	85.07 %	
Total All Funds	\$2,513,723	\$0	\$14,328,261	\$0	\$16,841,984		

HB 2 Funding

The majority of the funding appropriated by HB 2 supports the Hearings Unit.

State Special Revenue

- Approximately 79.3% of the state special revenue for the Commissioner’s Office is derived from the assessments on employers deposited into the employment security account
- The BSD Hearings fund makes up most of the remaining state special revenue. This fund is used by the Office of Administrative Hearings when hearing cases from the Business Standards Division

Federal Special Revenue

- Federal special revenue is primarily made up of unemployment insurance administrative grants

Non-Budgeted Proprietary Funding

The Commissioner’s Office and Centralized Services Division have two different proprietary funding sources for the operations of the various functions within the office. A discussion of the proposed uses and funding for each of the functions is included in the Proprietary Rates section of the narrative. These funds are considered and approved as rates charged to other divisions within the agency.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	287,372	287,372	574,744	93.32 %	1,183,718	1,183,718	2,367,436	94.18 %
SWPL Adjustments	19,945	21,203	41,148	6.68 %	71,110	75,177	146,287	5.82 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$307,317	\$308,575	\$615,892		\$1,254,828	\$1,258,895	\$2,513,723	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	19,077	17,948	31,191	68,216	0.00	20,083	18,523	32,837	71,443
DP 2 - Fixed Costs	0.00	786	550	1,285	2,621	0.00	1,018	712	1,665	3,395
DP 3 - Inflation Deflation	0.00	82	57	134	273	0.00	102	71	166	339
Grand Total All Present Law Adjustments	0.00	\$19,945	\$18,555	\$32,610	\$71,110	0.00	\$21,203	\$19,306	\$34,668	\$75,177

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

Other Issues -**Proprietary Rates**

The Commissioner's Office and Centralized Services Division provide two functions funded with non-budgeted proprietary funds. These programs are described separately along with a discussion of the program expenses, revenues, and rates being requested to finance the program.

Fund 06546 – Commissioner's Office/CSD*Proprietary Proposed Budget*

The following 2021 Biennium Report on Internal Service and Enterprise Funds for fund 06546 shows the actual and projected revenues and expenses associated with the fund from FY 2018 through FY 2021. The report is provided as submitted by the executive, but the LFD has edited and reconfigured the figure for clarity.

Figure 7

2021 Biennium Report on Internal Service and Enterprise Funds

Agency #	Agency Name	Program Name		
66020	Labor and Industry	Commissioner's Office/CSD		
Fund	Fund Name			
06546	Commissioner's Office/CSD			
	Actual FY 2018	Budgeted FY 2019	Proposed FY 2020	Proposed FY 2021
Operating Revenues:				
Fee and Charges				
Cost Allocation Plan (CAP) - NonFederal	4,018,505	4,024,257	4,456,669	4,294,233
Other Operating Revenues	1,534	-	-	-
Total Operating Revenues	4,020,038	4,024,257	4,456,669	4,294,233
Expenses:				
Personal Services	2,336,890	2,568,853	2,729,939	2,727,501
Other Operating Expenses	1,420,432	1,657,475	1,726,730	1,566,732
Total Operating Expenses	3,757,322	4,226,328	4,456,669	4,294,233
Operating Income (Loss)	262,716	(202,071)	-	-
Capital Contributions	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	(1,278)	-	-	-
Total	(1,278)	-	-	-
Change in Net Position	261,438	(202,071)	-	-
Beginning Net Position - July 1	525,127	786,565	584,494	584,494
Prior Period Adjustments	-	-	-	-
Change in Net Position	261,438	(202,071)	-	-
Ending Net Position - June 30	\$786,565	\$584,494	\$584,494	\$584,494
Net Position (Fund Balance) Analysis				

Proprietary Program Description

Supportive services provided by the Commissioner's Office and the Centralized Services Division (CSD) are funded through an indirect cost rate whereby the department programs are assessed a fee equal to a percentage of their personal services costs.

*Proprietary Program Narrative*Expenses

Proprietary Program Narrative

Expenses

Major expenses for this program consist of the personal services costs for the Commissioner’s Office and CSD . Significant costs for the program are for:

- Personal services costs for 34.00 FTE, including \$2.6 million or 60.8% of the total costs for FY 2019
- Other operating costs, including:
 - Department-wide fixed costs such as the statewide cost allocation plan (SWCAP), legislative audit fees, and the Human Resources Information System (HRIS) service fees
 - Charges for legal services that benefit the entire department
 - Charges for IT applications that benefit the entire department

Revenues

The Commissioner’s Office and Centralized Services Division is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the division’s indirect cost plan. Revenue for this fund is collected via an indirect cost rate that is charged against department personal services expenses. The services provided in exchange for this fee include:

- Human resources
- Accounting
- Budgeting
- Payroll processing
- Mail processing
- Other department-wide management and administration

All programs which utilize these services have a present law adjustment in the proposed budget to account for the proposed adjustment in the rate. If the rate approved by the legislature differs from the rate proposed, program budgets will need to be adjusted accordingly to maintain alignment with decisions made for this program.

Proprietary Rates

For the 2021 biennium, the following rates are proposed by the executive. The rates are charged in the base year, and rates paid state agencies in FY 2018 are shown for comparison purposes.

Figure 8

Requested Rates for Internal Service Funds				
Fee/Rate Information				
	Actual FY 2018	Budgeted FY 2019	Proposed FY 2020	Proposed FY 2021
Fee Description:	8.19%	7.87%	8.10%	8.10%

The executive requests a rate of 8.1% for FY 2020 and FY 2021. The cost allocation plan (CAP) must be approved by the U.S. Department of Labor. The rate, which is assessed to personal services expenditures, is determined by calculating the total costs of providing the services divided by the projected department personal services expenditures.

The rates approved by the legislature are the maximum that the program may charge during the interim. They are not the rates the program must charge.

Fund 06552 - Administrative Services

Proprietary Proposed Budget

The following 2021 Biennium Report on Internal Service and Enterprise Funds for fund 06552 shows the actual and projected revenues and expenses associated with the fund from FY 2018 through FY 2021. The report is provided as submitted by the executive, but the LFD has edited and reconfigured the figure for clarity.

Figure 9

2021 Biennium Report on Internal Service and Enterprise Funds				
Agency #	Agency Name	Program Name		
66020	Labor and Industry	Commissioner's Office/CSD		
Fund	Fund Name			
06552	Administrative Services			
	Actual FY 2018	Budgeted FY 2019	Proposed FY 2020	Proposed FY 2021
Operating Revenues:				
Fee and Charges				
Fee Revenue	2,405,472	2,575,000	2,785,619	2,789,566
Accommodations Tax	-	-	-	-
Total Operating Revenues	2,405,472	2,575,000	2,785,619	2,789,566
Expenses:				
Personal Services	1,915,509	2,039,690	2,161,262	2,164,882
Other Operating Expenses	387,767	621,305	624,357	624,684
Total Operating Expenses	2,303,276	2,660,995	2,785,619	2,789,566
Operating Income (Loss)	102,196	(85,995)	-	-
Change in Net Position	102,196	(85,995)	-	-
Beginning Net Position - July 1	364,494	467,136	381,141	381,141
Prior Period Adjustments	446	-	-	-
Change in Net Position	102,196	(85,995)	-	-
Ending Net Position - June 30	\$467,136	\$381,141	\$381,141	\$381,141
Net Position (Fund Balance) Analysis				

Proprietary Program Description

The Office of Legal Services provides legal assistance to the department's six programs and two administratively attached entities, whereby an hourly rate for attorney fees is established.

Proprietary Program Narrative

Expenses

Major expenses for this program are comprised of salaries and overhead costs of agency legal staff. Significant costs for the program are for:

- Personal services costs for 20.75 FTE, including \$2.0 million or 76.7% of the total costs for FY 2019
- Other operating costs

Revenues

Revenues for the Office of Legal Services are derived from charges for attorney time incurred by Department of Labor and Industry divisions. The rate is a direct hourly rate, charged to each division based on number of hours of legal service they receive. The rate per hour is calculated on actual costs of services divided by actual direct hours of service provided in FY 2018.

If the rate approved by the legislature differs from the rate proposed, program budgets will need to be adjusted accordingly to maintain alignment with decisions made for this program.

Proprietary Rates

For the 2021 biennium, the following rates are proposed by the executive. The rates are charged in the base year, and rates paid state agencies in FY 2018 are shown for comparison purposes. There are no significant changes to the methodology for calculating the rate for the Office of Legal Services from the last biennium.

Figure 10

Requested Rates for Internal Service Funds Fee/Rate Information				
	Actual FY 2018	Budgeted FY 2019	Proposed FY 2020	Proposed FY 2021
Fee Description:	\$103/hour	\$103/hour	\$103/hour	\$103/hour

The rates approved by the legislature are the maximum that the program may charge during the interim. They are not the rates the program must charge.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	17,794,764	19,396,457	1,601,693	9.00 %
Operating Expenses	9,818,506	10,413,280	594,774	6.06 %
Equipment & Intangible Assets	21,882	21,882	0	0.00 %
Benefits & Claims	200,778	200,778	0	0.00 %
Debt Service	44,768	34,178	(10,590)	(23.66)%
Total Expenditures	\$27,880,698	\$30,066,575	\$2,185,877	7.84 %
General Fund	2,555,635	3,031,209	475,574	18.61 %
State/Other Special Rev. Funds	23,287,680	24,866,440	1,578,760	6.78 %
Federal Spec. Rev. Funds	2,037,383	2,168,926	131,543	6.46 %
Total Funds	\$27,880,698	\$30,066,575	\$2,185,877	7.84 %
Total Ongoing	\$27,880,698	\$30,066,575	\$2,185,877	7.84 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Employment Relations Division (ERD) provides a variety of services to the public:

- The Compliance and Investigations Bureau (C&I) inspects, audits, investigates, and ensures compliance with wage and hour laws, prevailing wage obligations, independent contractor status, and workers' compensation requirements. The C&I also provides mediation services for Workers' Compensation and collective bargaining
- The Operations Bureau administers the Independent Contractor/Contractor Registration (ICCR) program, houses the Data Management Section (DMS), which is responsible for analyzing outcomes of the Workers' Compensation system and ensuring a steady flow of accurate information on policy and claim data. The Operations Bureau also provides administrative support to all programs warehoused in the Employment Relations Division
- The Workers' Compensation (WC) Section provides management information on the workers' compensation system, assists claimants, employers, and insurers in the navigation of the claims process, and provides medical regulation support for the WC system
- The Safety and Health Bureau administers federal and state industrial safety laws for the public sector, provides free consultation services for all employers, and delivers free safety education
- The Human Rights Bureau enforces the Montana Human Rights Act and Governmental Code of Fair Practices through investigations, conciliation, hearings, and education.

The Employment Relations Division is administratively attached to the Board of Personnel Appeals and the Human Rights Commission. The division also provides support for the Labor Management Advisory Council.

Program Highlights

Employment Relations Division Major Budget Highlights
<ul style="list-style-type: none"> • The Employment Relations Division's 2021 biennium budget request is approximately \$2.2 million or 7.8% higher than the 2019 biennium budget • Proposed changes include: <ul style="list-style-type: none"> ◦ Increases in statewide present law adjustments for personal services, fixed costs, and inflation/deflation
Major LFD Issues
<ul style="list-style-type: none"> • SB 9 restorations to operating expenses instead of personal services increase the total 2021 biennium appropriations by \$30,000 each year

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	118.98	118.98	118.98	118.98
Personal Services	8,607,057	8,789,999	9,004,765	9,697,474	9,698,983
Operating Expenses	3,847,951	4,653,349	5,165,157	5,203,856	5,209,424
Equipment & Intangible Assets	0	10,941	10,941	10,941	10,941
Benefits & Claims	50,050	100,389	100,389	100,389	100,389
Debt Service	27,570	27,679	17,089	17,089	17,089
Total Expenditures	\$12,532,628	\$13,582,357	\$14,298,341	\$15,029,749	\$15,036,826
General Fund	1,199,072	1,199,082	1,356,553	1,516,412	1,514,797
State/Other Special Rev. Funds	10,453,054	11,378,752	11,908,928	12,429,306	12,437,134
Federal Spec. Rev. Funds	880,502	1,004,523	1,032,860	1,084,031	1,084,895
Total Funds	\$12,532,628	\$13,582,357	\$14,298,341	\$15,029,749	\$15,036,826
Total Ongoing	\$12,532,628	\$13,582,357	\$14,298,341	\$15,029,749	\$15,036,826
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The Employment Relations Division expended 92.3% of its \$13.6 million HB 2 modified budget for FY 2018. Operating expenses were less than usual as a result of lower usage of the uninsured employer fund, which covers the legal, investigatory, and prosecution costs for workers' compensation fraud.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations for the Employment Relations Division are approximately \$716,000 or 5.3% higher than the FY 2018 total appropriation due to:

- State share contribution reductions for FY 2018, totaling \$234,000
- An increase in the FY 2019 appropriation due to the SB 9 restorations of approximately \$136,000

- SB 294 pay plan increase in FY 2019, totaling \$70,000
- An increase in the statewide present law adjustments for FY 2019, in the amount of \$27,000
- An decrease in the workers' compensation adjustment for FY 2018, totaling \$32,000
- An executive modification which transferred 2.00 FTE and their funding from the Workforce Services Division to the Employment Relations Division in order to combine the Safety and the Occupational Safety and Health Administration (OSHA) programs in one division. This modification increased the FY 2019 budget by approximately \$218,000

Executive Request

The Employment Relations Division budget proposed by the executive is \$2.2 million or 7.8% greater than the 2019 biennium budget.

Personal services were \$9.0 million or 63.0% of total FY 2019 appropriations. The executive proposes an increase in general fund, state special revenue, and federal special revenue, totaling approximately \$693,000 in FY 2020 and \$694,000 in FY 2021. This increase is due to the statewide present law adjustment for personal services, which will be discussed in detail in the Program Personal Services section below.

Operating expenses were approximately \$5.2 million or 36.1% of total FY 2019 appropriations. The executive proposes an increase in general fund, state special revenue, and federal special revenue, totaling approximately \$39,000 in FY 2020 and \$44,000 in FY 2021. This increase is due to the statewide present law adjustment for fixed costs and inflation/deflation, which will be discussed in detail in the Present Law Adjustments section below.

Program Personal Services

Personal services were \$9.0 million or 63.0% of total FY 2019 appropriations for the Employment Relations Division. The executive proposes a statewide present law increase of approximately \$693,000 in FY 2020 and an increase of \$694,000 in FY 2021.

In addition to the formula-based changes, the 2021 biennium personal service statewide present law request includes management decisions, the proposed reinstatement of personal services, and a modification to the personal services base budget. The adjustment increases the amount of funding from the general fund disproportionately more than it increases state and federal special revenue funding.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover
- FTE movement between the Employment Relations Division and other programs within the Department of Labor and Industry:
 - The transfer of 1.92 FTE from the Workforce Services Division for the Occupational Injuries & Illnesses and the Census of Fatal Occupational Injuries, which allows the Safety and the Occupational Safety and Health Administration (OSHA) programs to reside in one division
- A program transfer which moved funds from the Workforce Services Division to the Employment Relations Division in order to transfer spending authority along with the transfer of FTE for the Occupational Injuries & Illnesses (SOII) and the Census of Fatal Occupational Injuries (CFOI)

The proposed reinstatement of personal services includes:

- The reinstatement of the 2017 Regular Session budget cuts
- Reinstatement of the SB 261 pay plan reductions
- The SB 9 general fund restorations
- Increases due to changes in vacancy savings requirements
 - The change from the 2016 snapshot of 4.0% to the 2018 snapshot of 2.0%
 - The reduction of the extra 2.0% legislatively imposed vacancy savings in the 2017 Regular Session

The modification to the personal services base budget includes reductions approved during the November 2017 Special Session that were applied to personal services, but were restored to operating expenses. These modifications have increased the personal services base budget.

**LFD
ISSUE**

Transferring Authority from Personal Services to Operating Expenses Appropriations Increases the 2021 Biennium Budget

In FY 2019, the Employment Relations Division eliminated approximately \$30,000 in personal services as part of its reductions required by the November 2017 Special Session.

Personal services appropriations for the 2021 biennium use the salary and related benefits associated with FTE to establish the level of appropriation required for personal services. Since the Employment Relations Division did not reduce FTE along with the eliminated personal services funding in FY 2019, the personal services reduction automatically returns when the personal services snapshot is used to establish the base level of funding required in the 2021 biennium. As a result, the Employment Relations Division has a base budget \$30,000 higher each fiscal year than it would have been, had the appropriation remained in personal services instead of operating expenses, or as an alternative if FTE been reduced for the transfer of authority from personal services to operating expenses.

Legislative options:

- Reduce personal services funding supporting FTE to offset the transfer of personal services funding in FY 2019
- Reduce operating expenses by the amount restored
- Gain understanding from the agency regarding underlying specific funding requirements and adjust budget as needed

Funding

The following table shows proposed program funding by source of authority.

Department of Labor and Industry, 04-Employment Relations Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	3,031,209	0	0	0	3,031,209	8.73 %	
02236 Industrial Accident Rehab	0	0	0	0	0	0.00 %	
02252 DLI Operations	0	0	0	0	0	0.00 %	
02258 Employment Security Account	3,252,930	0	0	0	3,252,930	12.30 %	
02263 Subsequent Injury Admin	125,675	0	0	0	125,675	0.48 %	
02315 DLI Info Exchange/Rental	12,062	0	0	0	12,062	0.05 %	
02346 Contractor Registration	3,662,704	0	0	0	3,662,704	13.85 %	
02455 Workers' Comp Regulation	10,400,116	0	0	0	10,400,116	39.33 %	
02941 Uninsured Employer Fund	2,425,871	0	0	1,579,942	4,005,813	15.15 %	
02347 Safety Administration Fund	4,987,082	0	0	0	4,987,082	18.86 %	
State Special Total	\$24,866,440	\$0	\$0	\$1,579,942	\$26,446,382	76.21 %	
03122 EEOC	549,192	0	0	0	549,192	25.32 %	
03130 Coal Mine Safety	298,375	0	0	0	298,375	13.76 %	
03131 OSHA Stat Prgm Fed.St Sdy	245,632	0	0	0	245,632	11.33 %	
03195 On-Site Consultation	1,075,727	0	0	0	1,075,727	49.60 %	
03985 Data Management Unit Grant	0	0	0	0	0	0.00 %	
Federal Special Total	\$2,168,926	\$0	\$0	\$0	\$2,168,926	6.25 %	
06040 Subsequent Injury-Trust Fund	0	0	3,056,752	0	3,056,752	100.00 %	
Proprietary Total	\$0	\$0	\$3,056,752	\$0	\$3,056,752	8.81 %	
Total All Funds	\$30,066,575	\$0	\$3,056,752	\$1,579,942	\$34,703,269		

HB 2 Funding

General Fund

- General fund supports the personal services and general operating costs of the Human Rights Bureau and a small percentage of the overall administration of the Employment Relations Division

State Special Revenue

- State special revenue funds comprise the majority of the funding utilized by the Employment Relations Division
- Worker compensation regulation funds make up 39.3% of state special revenue. These funds are generated by an annual administrative assessment of 4.0% on all compensation and medical benefits (excluding costs above \$200,000 per claim) paid during the previous calendar year
- Approximately 12.3% of state special revenue consists of employment security funds, which are generated through an assessment charged to employers as a percentage of their payroll
- Contractor registration funds make up 13.9% of state special revenue. These funds are generated from registration fees for independent contractor exemptions and construction contractor application fees. These funds support the Workers' Compensation Regulations Bureau and a portion of administration
- Uninsured employer fund assessments, which are statutorily set at the premium uninsured employers would have paid had they been carrying workers' compensation insurance, make up 15.2% of all state special revenue. The funds are used to provide benefits to employees injured on the job while working for an employer that does not carry workers' compensation insurance as required by law
- Safety administration funds make up 18.9% of state special revenue. This revenue is generated from penalties assessed on inspection violations, recovery of costs for onsite safety and industrial health consultation services to mine operators, all fees paid by an assessment on paid losses plus administrative fines and interest, and any grants of funds from private entities or the federal government intended for defraying occupational safety and health costs

Non-Budgeted Proprietary Funding

The division oversees the subsequent injury fund, a proprietary account that assists disabled persons in becoming employed by offering a financial incentive to employers who hire them. The fund rate is based on the total amount of paid losses reimbursed by the fund in the preceding calendar year.

Statutory Funding

Payments for indemnity and medical benefits for workers injured while working for a business that does not carry workers' compensation insurance are statutorily appropriated to the Employment Relations Division. However, the costs of administering the program are included as part of HB 2 appropriations.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	1,356,553	1,356,553	2,713,106	89.51 %	14,298,341	14,298,341	28,596,682	95.11 %
SWPL Adjustments	159,859	158,244	318,103	10.49 %	731,408	738,485	1,469,893	4.89 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$1,516,412	\$1,514,797	\$3,031,209		\$15,029,749	\$15,036,826	\$30,066,575	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	158,709	484,748	49,252	692,709	0.00	157,003	487,562	49,653	694,218
DP 2 - Fixed Costs	0.00	798	14,503	0	15,301	0.00	804	14,426	0	15,230
DP 3 - Inflation Deflation	0.00	352	21,127	1,919	23,398	0.00	437	26,218	2,382	29,037
Grand Total All Present Law Adjustments	0.00	\$159,859	\$520,378	\$51,171	\$731,408	0.00	\$158,244	\$528,206	\$52,035	\$738,485

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

LFD COMMENT	<p>The statutory definition of a new proposal includes requests to change sources of funding. The statewide present law adjustment for personal services increases the amount of funding from the general fund disproportionately more than it increases state and federal special revenue funding. As shown in the Present Law Adjustment table, the executive proposes to increase general fund by approximately \$159,000, state special revenue by approximately \$485,000, and federal special revenue by approximately \$49,000 in each year of the 2021 biennium. These changes increase the general fund appropriation by 15.4%, while increasing state special revenue by 6.7% and federal special revenue by 6.8%.</p> <p>This shift in funding occurred because of general fund cuts to personal services in the 2019 biennium. The associated FTE were not removed along with the personal services funding, and thus the restoration of general fund for personal services is responsible for the disproportionate increase in general fund from the 2019 biennium. The distribution of each fund type for the statewide present law adjustment for personal services has not changed between the 2017 biennium budget and the 2021 biennium budget request.</p> <p>The legislature may want to consider this request as they would a new proposal, and work with the agency to gain an understanding of the underlying funding requirements making this change in source of funding necessary.</p>
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DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

Other Issues -**Proprietary Rates****Fund 06040 – Subsequent Injury Trust Fund***Proprietary Proposed Budget*

The following 2021 Biennium Report on Internal Service and Enterprise Funds for fund 06040 shows the actual and projected revenues and expenses associated with the fund from FY 2018 through FY 2021. The report is provided as submitted by the executive, but the LFD has edited and reconfigured the figure for clarity.

Figure 11

2021 Biennium Report on Internal Service and Enterprise Funds

Agency #	Agency Name	Program Name		
66020	Labor and Industry	Employment Relations Division		
Fund	Fund Name			
06040	Subsequent Injury Trust Fund			
	Actual FY 2018	Budgeted FY 2019	Proposed FY 2020	Proposed FY 2021
Operating Revenues:				
Fee and Charges				
Fee Revenue A	1,368,334	1,400,000	1,400,000	1,400,000
Investment Earnings	10,311	3,000	3,000	3,000
Other Operating Revenues	(34)	-	-	-
Total Operating Revenues	1,378,610	1,403,000	1,403,000	1,403,000
Expenses:				
Other Operating Expenses	1,299,146	1,503,328	1,503,328	1,503,328
Total Operating Expenses	1,299,146	1,503,328	1,503,328	1,503,328
Operating Income (Loss)	79,465	(100,328)	(100,328)	(100,328)
Capital Contributions	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	(53,444)	25,048	25,048	25,048
Total	(53,444)	25,048	25,048	25,048
Change in Net Position	26,021	(75,280)	(75,280)	(75,280)
Beginning Net Position - July 1	(1,938,984)	(1,912,963)	(1,988,243)	(2,063,523)
Prior Period Adjustments	-	-	-	-
Change in Net Position	26,021	(75,280)	(75,280)	(75,280)
Ending Net Position - June 30	(\$1,912,963)	(\$1,988,243)	(\$2,063,523)	(\$2,138,803)
Net Position (Fund Balance) Analysis				

**LFD
COMMENT**

It should be noted that the negative fund balance is related to liabilities established for long-term claims payable. By statute, insurers are assessed the costs of the benefits, claims, and administration from the preceding year. So in FY 2019, insurers would be expected to pay \$1.3 million.

Proprietary Program Description

The Subsequent Injury Fund (SIF) was established in 1973 to assist disabled persons in becoming employed by offering a financial incentive to the employers who hire them. In the event a SIF certified individual is injured on the job, their employer's workers' compensation carrier is only liable for the first 104 weeks of benefits paid. Any benefits paid after that point are reimbursed by the fund, thus minimizing the workers' compensation expenses for the employer's insurer. Beginning July 1, 1999, the fund is maintained by an annual assessment of all Montana employers, including self-insured employers, private insurers, and the State Fund.

Proprietary Program Narrative

Expenses

The expenses of the program consist of the administration costs and benefits for certified workers. Expenses are paid out when reimbursement requests are submitted to the department, as long as there are sufficient monies in the fund to cover those expenses.

Revenues

The program is funded through an annual assessment on Plan 1 (self-insured) workers' compensation employers and a surcharge on premium paid for Plan 2 (private sector) and Plan 3 (Montana State Fund) employers. The assessment is based on a percentage of the compensation and medical benefits paid in Montana by each insurer the preceding calendar year (39-71-915, MCA) and amounts actually paid out from SIF. The revenue to the fund comes during five time periods throughout the year.

Proprietary Rates

The SIF rate is set by the Employment Relations Division based on the total amount of paid losses reimbursed by the fund in the preceding year. Because the rate is based upon the previous years' experience, future rates beyond one year are unknown. The estimated rates for the program are shown below:

Figure 12

Requested Rates for Internal Service Funds				
Fee/Rate Information				
	Actual FY 2018	Budgeted FY 2019	Proposed FY 2020	Proposed FY 2021
Fee Description: admin assessment and surcharge				
Plan I - Insureds (admin costs & benefits paid to certified claimants)	\$284,817	\$300,000	\$300,000	\$300,000
Plan III - Old Insureds (admin costs & benefits paid to certified claimants)	\$0	\$0	\$0	\$0
Plan II & III - Surcharge (admin costs & benefits paid to certified claimants)	\$1,083,517	\$1,100,000	\$1,100,000	\$1,100,000
Total Cost	\$1,368,334	\$1,400,000	\$1,400,000	\$1,400,000

The rates are based on the workers' compensation (WC) insurance plans' share of the workers' compensation market as compared to the net outlay of the subsequent injury fund in a calendar year (39-71-915, MCA).

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	17,664,729	21,294,566	3,629,837	20.55 %
Operating Expenses	15,530,769	16,000,349	469,580	3.02 %
Equipment & Intangible Assets	567,050	762,950	195,900	34.55 %
Grants	10,000	10,000	0	0.00 %
Transfers	71,738	69,738	(2,000)	(2.79)%
Debt Service	100,224	86,974	(13,250)	(13.22)%
Total Expenditures	\$33,944,510	\$38,224,577	\$4,280,067	12.61 %
State/Other Special Rev. Funds	33,903,744	38,183,811	4,280,067	12.62 %
Federal Spec. Rev. Funds	40,766	40,766	0	0.00 %
Total Funds	\$33,944,510	\$38,224,577	\$4,280,067	12.61 %
Total Ongoing	\$33,944,510	\$38,224,577	\$4,280,067	12.61 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Business Standards Division consists of two bureaus:

- The Building and Commercial Measurements Bureau establishes and enforces minimum building, plumbing, mechanical, electrical, energy, elevator, and boiler codes; licenses, inspects, tests, and certifies all weighing and measuring devices used in making commercial transactions in Montana; and provides support for five licensing programs and the Underground Facility Protection Advisory Council
- The Professional Licensing Bureau provides operational and administrative support for all functions of 33 licensing boards, two programs, and the Prescription Drug Registry

Program Highlights

Business Standards Division Major Budget Highlights
<ul style="list-style-type: none"> • The Business Standards Division's 2021 biennium budget request is approximately \$4.3 million or 12.6% higher than the 2019 biennium budget • Proposed changes include: <ul style="list-style-type: none"> ◦ Increases in state special revenue for statewide present law adjustments for personal services, fixed costs, and inflation/deflation ◦ Increases in state special revenue for general operating adjustments and new technology ◦ Increases to purchase new vehicles for weights and measures field inspectors and for the field inspectors on several professional boards
Major LFD Issues
<ul style="list-style-type: none"> • Certain state special revenue license fees are not commensurate with the cost of operating the programs • Requests to update software and to purchase new vehicles are more appropriately categorized as new proposals • Statutory funding for the Board of Public Accountants is set to sunset in FY 2020

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	139.89	139.89	139.89	139.89
Personal Services	8,449,936	8,628,748	9,035,981	10,647,455	10,647,111
Operating Expenses	7,191,124	7,789,417	7,741,352	8,085,147	7,915,202
Equipment & Intangible Assets	167,162	278,325	288,725	393,475	369,475
Grants	0	5,000	5,000	5,000	5,000
Transfers	20,629	36,869	34,869	34,869	34,869
Debt Service	55,588	59,537	40,687	43,487	43,487
Total Expenditures	\$15,884,439	\$16,797,896	\$17,146,614	\$19,209,433	\$19,015,144
State/Other Special Rev. Funds	15,864,315	16,777,513	17,126,231	19,189,050	18,994,761
Federal Spec. Rev. Funds	20,124	20,383	20,383	20,383	20,383
Total Funds	\$15,884,439	\$16,797,896	\$17,146,614	\$19,209,433	\$19,015,144
Total Ongoing	\$15,884,439	\$16,797,896	\$17,146,614	\$19,209,433	\$19,015,144
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -*FY 2018 Appropriations Compared to FY 2018 Actual Expenditures*

The Business Standards Division expended 94.6% of its \$16.8 million HB 2 modified budget in FY 2018. Personal services and operating expenses were both within the typical spending range for the division.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations for the Business Standards Division are approximately \$349,000 or 2.1% higher than the FY 2018 total appropriation.

There were several increases in the difference between the FY 2018 and FY 2019 appropriations due to:

- State share contribution reductions for FY 2018, totaling \$282,000
- SB 294 pay plan increase in FY 2019, totaling \$83,000
- An increase in the statewide present law adjustments for FY 2019, in the amount of \$47,000

There was also a decrease in the difference between the FY 2018 and FY 2019 appropriations due to:

- An executive modification which transferred state special revenue from the Employment Relations Division and Centralized Services Division to the Business Standards Division in order to provide funding for technology contracts. This modification increased the FY 2018 budget by approximately \$63,000

Executive Request

The Business Standards Division budget proposed by the executive is \$4.3 million or 12.6% greater than the 2019 biennium budget.

Personal services were \$9.0 million or 52.7% of total FY 2019 appropriations. The executive proposes an increase in state special revenue, totaling approximately \$1.6 million in both FY 2020 and FY 2021. This increase is due to the statewide present law adjustment for personal services, which will be discussed in detail in the Program Personal Services section below.

Operating expenses were approximately \$7.7 million or 45.1% of total FY 2019 appropriations. The executive proposes an increase in state special revenue, totaling approximately \$344,000 in FY 2020 and \$174,000 in FY 2021. This increase is primarily due to the statewide present law adjustment for fixed costs and a present law adjustment for general operating expenses, which will be discussed in detail in the Present Law Adjustments section below.

Program Personal Services

In an effort to make up for budget shortfalls in the 2019 biennium, the Business Standards Division utilized a reduction in force (RIF). Due to increased workload and less staff, the division more than doubled the time to process professional licenses.

Personal services were \$9.0 million or 52.7% of total FY 2019 appropriations for the Business Standards Division. The executive proposes a statewide present law increase of approximately \$1.6 million in both FY 2020 and FY 2021.

In addition to the formula-based changes, the 2021 biennium personal service statewide present law request includes management decisions and the proposed reinstatement of personal services.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover
- FTE movement between the Employment Relations Division and other programs within the Department of Labor and Industry, including:
 - The transfer of 2.00 FTE from the Workforce Services Division for the Prescription Drug Monitoring Program and business systems analyst positions
 - The transfer of 11.00 FTE from the Workforce Services Division to bring licensing and inspecting staff to the level necessary to meet job demand

- An executive modification which transferred funds from the Workforce Services Division to establish federal spending authority for the Country of Origin Labeling (COOL) program in the Business Standards Division

The proposed reinstatement of personal services includes:

- The reinstatement of the 2017 Regular Session budget cuts
- Increases due to changes in vacancy savings requirements
 - The change from the 2016 snapshot of 4.0% to the 2018 snapshot of 2.0%
 - The reduction of the extra 2.0% legislatively imposed vacancy savings in the 2017 Regular Session

Funding

The following table shows proposed program funding by source of authority.

Department of Labor and Industry, 05-Business Standards Division						
Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0	0.00 %
02024 Blasters Program	29,920	0	0	0	29,920	0.08 %
02078 Occupational Therapists	179,912	0	0	0	179,912	0.47 %
02079 Fire Protection & Permitting	177,248	0	0	0	177,248	0.46 %
02080 Prescription Drug Registry	513,552	0	0	0	513,552	1.34 %
02082 Real Estate Recovery Account	0	0	0	3,340	3,340	0.01 %
02103 BSD Capital Assets	0	0	0	0	0	0.00 %
02109 Board Of Outfitters	1,311,346	0	0	0	1,311,346	3.43 %
02155 Boilers Program	1,155,478	0	0	0	1,155,478	3.02 %
02160 BSD Contingency Fund	1,190,490	0	0	0	1,190,490	3.11 %
02207 Cranes Program	196,102	0	0	0	196,102	0.51 %
02446 Board Of Psychologist Exam	354,829	0	0	0	354,829	0.93 %
02448 Building Codes State Spec Rev	7,693,450	0	0	0	7,693,450	20.10 %
02580 Board of Athletic Trainers	64,319	0	0	0	64,319	0.17 %
02679 Massage Therapists	400,685	0	0	0	400,685	1.05 %
02764 Private Alt. Adol Programs	71,554	0	0	0	71,554	0.19 %
02767 Elevator Licensing Program	940,886	0	0	0	940,886	2.46 %
02805 Weights & Measures Bureau	2,523,291	0	0	0	2,523,291	6.59 %
02808 Board Of Landscape Architects	0	0	0	0	0	0.00 %
02809 Board Of Speech Pathologists	174,143	0	0	0	174,143	0.45 %
02810 Bd Of Radiologic Technologists	260,819	0	0	0	260,819	0.68 %
02811 Clinical Lab Science Pract.	184,616	0	0	0	184,616	0.48 %
02812 Physical Therapists	326,391	0	0	0	326,391	0.85 %
02813 Bd Of Nursing Home Admin	193,559	0	0	0	193,559	0.51 %
02814 Bd Of Hearing Aid Dispensers	116,491	0	0	0	116,491	0.30 %
02815 Board Of Public Accountants	0	0	0	0	0	0.00 %
02816 Board Of Sanitarians	114,732	0	0	0	114,732	0.30 %
02818 Electrical Board	944,786	0	0	0	944,786	2.47 %
02819 Board of Realty Regulations	2,128,617	0	0	0	2,128,617	5.56 %
02820 Board Of Architects	351,095	0	0	0	351,095	0.92 %
02821 Board Of Funeral Service	415,019	0	0	0	415,019	1.08 %
02822 Board Of Chiropractors	322,683	0	0	0	322,683	0.84 %
02823 Professional Engineers	982,875	0	0	0	982,875	2.57 %
02824 Board Of Medical Examiners	3,184,543	0	0	0	3,184,543	8.32 %
02826 Cosmetology Board	1,404,154	0	0	0	1,404,154	3.67 %
02828 Board Of Plumbers	722,137	0	0	0	722,137	1.89 %
02829 Private Investigator	495,267	0	0	0	495,267	1.29 %
02830 Board Of Dentistry	760,590	0	0	0	760,590	1.99 %
02831 Board Of Optometrists	159,324	0	0	0	159,324	0.42 %
02832 Board Of Pharmacy	2,014,000	0	0	0	2,014,000	5.26 %
02833 Board Of Nursing	3,301,353	0	0	0	3,301,353	8.62 %
02834 Board Of Veterinarians	432,434	0	0	0	432,434	1.13 %
02840 Board Of Behavioral Health	992,175	0	0	0	992,175	2.59 %
02841 Athletic Licensing Program	31,398	0	0	0	31,398	0.08 %
02852 Bd. Of Alternative Health Care	208,498	0	0	0	208,498	0.54 %
02854 Bd. Of Real Estate Appraisers	940,291	0	0	0	940,291	2.46 %
02855 Bd Of Respiratory Care	152,259	0	0	0	152,259	0.40 %
02599 DLI Lease Activity	66,500	0	0	0	66,500	0.17 %
02460 Underground Facilities	0	0	0	98,122	98,122	0.26 %
State Special Total	\$38,183,811	\$0	\$0	\$101,462	\$38,285,273	97.85 %
03293 Country of Origin Labeling	40,766	0	0	0	40,766	100.00 %
03509 Prescrip Drug Registry Grant	0	0	0	0	0	0.00 %
Federal Special Total	\$40,766	\$0	\$0	\$0	\$40,766	0.10 %
06086 Board of Public Accountants	0	0	0	801,434	801,434	100.00 %
Proprietary Total	\$0	\$0	\$0	\$801,434	\$801,434	2.05 %
Total All Funds	\$38,224,577	\$0	\$0	\$902,896	\$39,127,473	

HB 2 Funding

State Special Revenue

- State special revenue accounts are maintained for each type of license and professional board. Charges and fees paid by licensees are deposited to the accounts and administrative and operational expenses of the division are charged directly to the funds
- The largest of these accounts is the building codes account, which makes up approximately 20.1% of the division's state special revenue funds

**LFD
ISSUE**

License Fees Not Commensurate with Cost of Operating the Program

State statute outlines several responsibilities for the Department of Labor and Industry regarding professional boards. Fees for administrative services are required to be commensurate with services provided. Additionally, the cash balance in each board's fund is not allowed to exceed twice the board's annual appropriation. There are seven funds listed in the table below that had cash balances in excess of statutory limits at the end of FY 2018.

Figure 13

Department of Labor and Industry Business Standards Division Fund Balance Above Statutory Limit			
Board	Statutorily Allowed Cash Balance	FY 2018 Cash Balance	Excess Cash Balance
Fire Protection and Permit	214,090	240,007	25,917
Privat Alt. Adol. Programs	77,380	92,661	15,281
Board of Speech Pathologist	146,641	162,746	16,105
Board of Hearing Aid Disp.	106,478	130,368	23,890
Electrical Board	936,411	1,033,202	96,791
Private Investigator	474,347	547,165	72,818
Board of Pharmacy	1,972,580	2,341,827	369,247
Total	\$3,927,927	\$4,547,976	\$620,049

Additional information on how the department is going to address the issue of excess cash are included below:

- **Fire Protection and Permitting** – The program is currently working on a rule package to reduce fees for the May 2019 renewal period. The intention is to abate fees in FY 2019 and monitor cash. If the abatement does not bring cash into compliance, the program will draft a notice to reduce fees in FY 2020
- **Private Alternate Adolescent Residential or Outdoor Program** – The board reduced renewal fees for their 2017 renewal cycle by 90.0% in order to reduce cash. Cash balance steadily reduced throughout FY 2018 up to the point of license renewals which began in May 2018, and the fund then exceeded its cash balance during its renewal cycle. The board did not abate fees for the FY 2018 cycle due to a series of compliance issues, the costs of which could not be easily estimated. There is a statutory requirement to inspect programs licensed by this board every three years. Because the majority of the programs were originally licensed at the same time, those inspections will come due in FY 2019, and possibly straddle the beginning of FY 2020, resulting in additional costs for the board. The board has also lost a licensee (due to closure of the program) that provided \$13,000 in revenue annually. There is no information on any other program of that size coming on board to take the place of

the revenue loss. The board estimates it will need approximately \$75,000 in cash for the fiscal year. The board will continue to monitor cash and will consider a fee reduction if necessary to comply with statutory requirements

- **Board of Speech Pathologists** – The board implemented a 45.0% fee reduction in FY 2018 and has not had a full year of expenses since the end of the renewal period. Following the completion of the renewal period, the fund balance steadily declined. The board estimates it needs approximately \$89,000 to operate in FY 2019. The resulting reduction in revenue should bring the cash balance into compliance with statutory requirements, although it may take an additional fiscal year to see results, as the board does not normally have high expenses
- **Board of Hearing Aid Dispensers** – The board has reduced fees the past two license renewal cycles and is now putting a notice together for a fee decrease of approximately 63.0% for all active license renewals, to be in place for the FY 2019 renewal cycle that begins in May 2019. The board estimates that it will need approximately \$55,000 to operate in FY 2019
- **Electrical Board** – The board is discussing the following options to reduce the fund balance: a plan to request utilization of \$20,000 to use for public outreach to combat unlicensed practice and database enhancements to improve customer service. The board has lacked an inspector for the eastern half of the state but has recently filled the position. The board anticipates increased expenses in salary and benefits, as well as travel to accommodate the new employee. If the board is still in an excess cash balance after utilizing these options, they plan on abating electrical license renewals by 50.0% in the FY 2020 renewal cycle
- **Board of Private Investigators** – The board estimates that it will need approximately \$240,000 to operate in FY 2019. The board has been assigned a new executive officer and discussions are underway to reduce fees for the FY 2019 renewal cycle beginning in January 2019, in order to bring the cash balance into compliance with statutory requirements
- **Board of Pharmacy** – The board enacted a fee reduction for the FY 2018 renewal cycle. The board experienced an unanticipated decrease in expenses with the retirement of one of the board inspectors, and the position remained vacant for nearly six months. The board estimates that it will need approximately \$995,000 to operate in FY 2019. The board is continuing to monitor its cash and is analyzing whether the fee decrease will be sufficient to bring the board into compliance with statute, and may have to consider another abatement for the FY 2019 renewal cycle

The legislature may wish to review the fund balances when it convenes in January to determine if the planned uses of these excess funds are reducing the balances sufficiently to meet statutory requirements.

Federal Special Revenue

- The Business Standards Division also receives a small amount of federal funding, which accounts for less than 1.0% of its total funds

Non-Budgeted Proprietary Funding

The Board of Public Accountants enterprise fund receives licensing fees, money collected by the department on behalf of the board, and interest or earnings on money deposited. This fund was originally a state special revenue account, but it was established as a proprietary fund by the 2015 Legislature and sunsets September 30, 2019.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	17,146,614	17,146,614	34,293,228	89.72 %
SWPL Adjustments	0	0	0	0.00 %	1,704,620	1,705,920	3,410,540	8.92 %
PL Adjustments	0	0	0	0.00 %	358,199	162,610	520,809	1.36 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$19,209,433	\$19,015,144	\$38,224,577	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	1,611,474	0	1,611,474	0.00	0	1,611,130	0	1,611,130
DP 2 - Fixed Costs	0.00	0	84,136	0	84,136	0.00	0	83,610	0	83,610
DP 3 - Inflation Deflation	0.00	0	9,010	0	9,010	0.00	0	11,180	0	11,180
DP 5001 - BSD General Operating Adjustments	0.00	0	253,449	0	253,449	0.00	0	81,860	0	81,860
DP 5003 - BSD Equipment Adjustments	0.00	0	104,750	0	104,750	0.00	0	80,750	0	80,750
Grand Total All Present Law Adjustments	0.00	\$0	\$2,062,819	\$0	\$2,062,819	0.00	\$0	\$1,868,530	\$0	\$1,868,530

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 5001 - BSD General Operating Adjustments -

The executive requests a base appropriation adjustment in state special revenue to cover increases:

- To the Montana Professional Assistance Program (MPAP) contracts for the Boards of Medical Examiners, Dentistry, Pharmacy and Nursing
- To enable the Montana Prescription Drug Registry to purchase new software, complete registry enhancements and cover increases to the registry maintenance fees
- To allow the Building Codes Bureau to complete a rules notice updating all building codes rules to comply with national codes, upgrade the cell phones for building codes field inspectors, and complete a lease for new technology for the weights and measures field inspectors, allowing them to comply with Electronic Content Management requirements

LFD COMMENT

Generally, the cost of purchasing new software does not require ongoing funding and thus would be categorized as a one-time-only request in a new proposal. However, the current software vendor for the Montana Prescription Drug Registry will no longer be offering its services to the Department of Labor and Industry, and in order to compensate for this change, the executive is requesting \$150,000 for FY 2020 only for the purchase of new software.

The legislature may wish to consider the portion of the request associated with the purchase of new software as they would a new proposal.

DP 5003 - BSD Equipment Adjustments -

The executive requests a base appropriation adjustment in state special revenue to purchase two vehicles in each year of the biennium to be used by inspectors to perform statutorily required inspections for the Boards of Barbers and Cosmetology, Plumbers, Electrical, Outfitters, and Funeral Services. The request would also allow for the replacement of three additional building codes inspector vehicles throughout the biennium: two in FY 2020 and one in FY 2021. In total, the executive is requesting four vehicles for FY 2020 and three for FY 2021.

LFD COMMENT

The Business Standards Division has field-based inspectors performing mandated inspections in all areas of the state of Montana. The division has a fleet of 42 owned vehicles and four motor pool leased vehicles to be used for conducting inspections across the state. Each year, a few vehicles are cycled out of the fleet, due to wear and tear from traveling to and from inspection sites. According to the Department of Labor and Industry, in order to replace each vehicle on a four-year cycle, they would need to replace at least ten vehicles per year. The Business Standards Division currently has funding for the replacement of eight vehicles per year included in the base budget.

In order to maintain a fleet of reliable vehicles, the executive is requesting an appropriation to add vehicles to the replacement cycle. This portion of the request is for two additional vehicles each year, allowing for the replacement of ten vehicles per year and for a four-year life cycle for the existing fleet.

The executive is also requesting an appropriation to convert three of the four motor pool leased vehicles to purchased vehicles. This portion of the request is for two additional vehicles in FY 2020 and one additional vehicle in FY 2021. These motor pool vehicles are currently utilized full-time and are subjected to similar high mileage driving circumstances as the other department-owned vehicles. According to the department, the costs of leasing these vehicles is more expensive than the cost of ownership for several reasons:

- Vehicles are leased year-to-year but charged by the day, seven days per week
- Competitive costs for ownership are lower due to the competitive bidding process
- The quantity of miles driven by inspectors exceeds 1.1 million miles total for the fleet, and leased cars are also charged by the mile
- Keeping the purchased vehicle and amortizing the purchase cost over four years drops yearly costs below that of lease costs, which do not reduce year-to-year

The legislature may wish to consider this request for the purchase of new vehicles as they would a new proposal.

Other Issues -

Proprietary Rates

Fund 06086 – Board of Public Accountants

Proprietary Proposed Budget

**LFD
ISSUE**

Board of Public Accountants Enterprise Fund Will Sunset September 30, 2019

The 2015 Legislature revised the funding structure for the Board of Public Accountants. The Board moved from funding through state special revenue to an enterprise fund. The enterprise fund sunsets September 30, 2019.

The executive did not submit a 2021 Biennium Report on Internal Service and Enterprise Funds for fund 06546, which would show the actual and projected revenues and expenses associated with the fund from FY 2018 through FY 2021.

Legislative options:

- Reauthorize the Board of Public Accountants fund as an enterprise fund, contingent on potential legislation which would extend or eliminate the sunset date for the fund
- Switch funding for the Board of Public Accountants back to state special revenue

Proprietary Program Narrative

The Board of Public Accountants is statutorily appropriated. The enterprise fund receives licensing fees, money collected by the department on behalf of the board, and interest or earnings on money deposited.

Proprietary Rates

The executive did not submit proposed rates for the 2021 biennium, due to the expiration of the fund on September 30, 2019.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	8,883,462	9,701,573	818,111	9.21 %
Operating Expenses	12,137,886	12,235,612	97,726	0.81 %
Debt Service	13,096	13,096	0	0.00 %
Total Expenditures	\$21,034,444	\$21,950,281	\$915,837	4.35 %
Proprietary Funds	21,034,444	21,950,281	915,837	4.35 %
Total Funds	\$21,034,444	\$21,950,281	\$915,837	4.35 %

Program Description

The Technology Services Division (TSD) provides information technology services and support for the department including IT project management, application development, and network services.

Program Highlights

**Technology Services Division
Major Budget Highlights**

- The Technology Services Division is funded entirely with non-budgeted proprietary funds which are not appropriated in HB 2

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	54.00	54.00	54.00	54.00
Personal Services	3,912,846	4,414,791	4,468,671	4,851,337	4,850,236
Operating Expenses	6,019,606	6,107,499	6,030,387	6,117,859	6,117,753
Debt Service	19,165	6,548	6,548	6,548	6,548
Total Expenditures	\$9,951,617	\$10,528,838	\$10,505,606	\$10,975,744	\$10,974,537
Proprietary Funds	9,951,617	10,528,838	10,505,606	10,975,744	10,974,537
Total Funds	\$9,951,617	\$10,528,838	\$10,505,606	\$10,975,744	\$10,974,537

Program Discussion -

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The Technology Services Division did not have any HB 2 appropriations in the 2019 biennium. The division expended 94.5% of its FY 2018 budget. Personal services were 88.6% expended.

FY 2018 Appropriations Compared to FY 2019 Appropriations

The Technology Services Division did not have any HB 2 appropriations in the 2019 biennium.

Executive Request

The Technology Services Division requested budget is \$916,000 or 4.4% greater than the 2019 biennium budget. Requested adjustments will be discussed in further detail in the Present Law Adjustments section below.

Funding

The following table shows proposed program funding by source of authority.

Department of Labor and Industry, 06-Technology Services Division							
Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02078 Occupational Therapists	0	0	0	0	0	0.00 %	
02079 Fire Protection & Permitting	0	0	0	0	0	0.00 %	
02109 Board Of Outfitters	0	0	0	0	0	0.00 %	
02155 Boilers Program	0	0	0	0	0	0.00 %	
02207 Cranes Program	0	0	0	0	0	0.00 %	
02233 BSD Hearings	0	0	0	0	0	0.00 %	
02258 Employment Security Account	0	0	0	0	0	0.00 %	
02346 Contractor Registration	0	0	0	0	0	0.00 %	
02446 Board Of Psychologist Exam	0	0	0	0	0	0.00 %	
02448 Building Codes State Spec Rev	0	0	0	0	0	0.00 %	
02455 Workers' Comp Regulation	0	0	0	0	0	0.00 %	
02580 Board of Athletic Trainers	0	0	0	0	0	0.00 %	
02679 Massage Therapists	0	0	0	0	0	0.00 %	
02764 Private Alt. Adol Programs	0	0	0	0	0	0.00 %	
02767 Elevator Licensing Program	0	0	0	0	0	0.00 %	
02809 Board Of Speech Pathologists	0	0	0	0	0	0.00 %	
02810 Bd Of Radiologic Technologists	0	0	0	0	0	0.00 %	
02811 Clinical Lab Science Pract.	0	0	0	0	0	0.00 %	
02812 Physical Therapists	0	0	0	0	0	0.00 %	
02813 Bd Of Nursing Home Admin	0	0	0	0	0	0.00 %	
02814 Bd Of Hearing Aid Dispensers	0	0	0	0	0	0.00 %	
02816 Board Of Sanitarians	0	0	0	0	0	0.00 %	
02818 Electrical Board	0	0	0	0	0	0.00 %	
02819 Board of Realty Regulations	0	0	0	0	0	0.00 %	
02820 Board Of Architects	0	0	0	0	0	0.00 %	
02821 Board Of Funeral Service	0	0	0	0	0	0.00 %	
02822 Board Of Chiropractors	0	0	0	0	0	0.00 %	
02823 Professional Engineers	0	0	0	0	0	0.00 %	
02824 Board Of Medical Examiners	0	0	0	0	0	0.00 %	
02826 Cosmetology Board	0	0	0	0	0	0.00 %	
02828 Board Of Plumbers	0	0	0	0	0	0.00 %	
02829 Private Investigator	0	0	0	0	0	0.00 %	
02830 Board Of Dentistry	0	0	0	0	0	0.00 %	
02831 Board Of Optometrists	0	0	0	0	0	0.00 %	
02832 Board Of Pharmacy	0	0	0	0	0	0.00 %	
02833 Board Of Nursing	0	0	0	0	0	0.00 %	
02834 Board Of Veterinarians	0	0	0	0	0	0.00 %	
02840 Board Of Behavioral Health	0	0	0	0	0	0.00 %	
02841 Athletic Licensing Program	0	0	0	0	0	0.00 %	
02852 Bd. Of Alternative Health Care	0	0	0	0	0	0.00 %	
02854 Bd. Of Real Estate Appraisers	0	0	0	0	0	0.00 %	
02855 Bd Of Respiratory Care	0	0	0	0	0	0.00 %	
02941 Uninsured Employer Fund	0	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
06546 Commissioner's Office/CSD	0	0	0	0	0	0.00 %	
06552 Admin Services	0	0	0	0	0	0.00 %	
06568 Technical Services	0	0	11,798,285	0	11,798,285	53.75 %	
06086 Board of Public Accountants	0	0	0	0	0	0.00 %	
06578 Technical Services Direct	0	0	10,151,996	0	10,151,996	46.25 %	
Proprietary Total	\$0	\$0	\$21,950,281	\$0	\$21,950,281	100.00 %	
Total All Funds	\$0	\$0	\$21,950,281	\$0	\$21,950,281		

Non-Budgeted Proprietary Funding

The Technology Services Division is funded entirely with proprietary rates. The two main proprietary funds utilized by the division are the technical services account and the technical services direct account. These funds will be discussed in further detail in the proprietary rates section below.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	10,505,606	10,505,606	21,011,212	95.72 %
SWPL Adjustments	0	0	0	0.00 %	470,138	468,931	939,069	4.28 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$10,975,744	\$10,974,537	\$21,950,281	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2020-----				-----Fiscal 2021-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	382,666	0.00	0	0	0	381,565
DP 2 - Fixed Costs	0.00	0	0	0	87,472	0.00	0	0	0	87,366
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$470,138	0.00	\$0	\$0	\$0	\$468,931

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to annualize personal services costs including FY 2019 statewide pay plan adjustments, benefit rate adjustments, vacancy savings adjustments and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

Other Issues -

Proprietary Rates

The Technology Services Division (TSD) provides information technology services and support for the department including technical services, network services, help desk, project management, and application services including computer programming and database management. There are two funds, the technical and application services fund and the technical services direct fund. These funds are discussed in further detail below.

06568 -Technical and Application Services

Proprietary Proposed Budget

The following 2021 Biennium Report on Internal Service and Enterprise Funds for fund 06568 shows the actual and projected revenues and expenses associated with the fund from FY 2018 through FY 2021. The report is provided as submitted by the executive, but the LFD has edited and reconfigured the figure for clarity.

Figure 14

2021 Biennium Report on Internal Service and Enterprise Funds

Agency #	Agency Name	Program Name		
66020	Labor and Industry	Technology Services Division		
Fund	Fund Name			
06568	Technology Services			
	Actual FY 2018	Budgeted FY 2019	Proposed FY 2020	Proposed FY 2021
Operating Revenues:				
Fee and Charges				
Non Federal Ind Cost Recovery	3,977,695	3,932,998	4,617,301	4,617,301
Federal Indirect Cost Recovery	1,036,680	1,045,027	1,188,311	1,188,311
Total Operating Revenues	5,014,376	4,978,025	5,805,612	5,805,612
Expenses:				
Personal Services	3,907,949	4,468,671	4,849,482	4,850,236
Other Operating Expenses	912,169	871,934	1,048,379	1,047,966
Total Operating Expenses	4,820,118	5,340,605	5,897,861	5,898,202
Operating Income (Loss)	194,258	(362,580)	(92,249)	(92,590)
Change in Net Position	194,258	(362,580)	(92,249)	(92,590)
Beginning Net Position - July 1	809,086	1,003,343	640,763	548,514
Prior Period Adjustments	-	-	-	-
Change in Net Position	194,258	(362,580)	(92,249)	(92,590)
Ending Net Position - June 30	\$1,003,343	\$640,763	\$548,514	\$455,924
Net Position (Fund Balance) Analysis				

Proprietary Program Description

The Technical Services Section provides support for information technology infrastructure such as the network, servers, the help desk, project management, and application services including computer programming and database management. The Application Section provides services related to staff that are programming, testing, and analyzing the department's applications.

Proprietary Program Narrative

Expenses

The major expense for this fund consists of the personal services for 54.00 FTE, which accounted for \$4.5 million or 83.7% of total costs for FY 2019.

Revenues

Supportive services provided by the Technology Services Division (TSD) are funded through indirect cost rates. The rate for technical services is assessed based on division FTE. Revenues for the Technical Services Section are billed to divisions and based on a monthly rate approved by both the legislature and the U.S. Department of Labor.

The rate for application services is assessed based on a direct hourly charge to the benefiting division. Revenues for the Application Section are billed to divisions also approved by the legislature and the U.S. Department of Labor.

All programs which utilize these services have a present law adjustment in the proposed budget to account for the proposed rate. If the rate approved by the legislature differs from the rate proposed, program budgets will need to be adjusted accordingly to maintain alignment with decisions made for this program.

Proprietary Rates

For the 2021 biennium, the following rates are proposed by the executive. The rates are charged in the base year, and rates paid state agencies in FY 2018 are shown for comparison purposes.

Figure 15

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Actual FY 2018	Budgeted FY 2019	Proposed FY 2020	Proposed FY 2021
Fee Description:				
Application Hourly Rate	\$84	\$84	\$84	\$84
Technical Services Rate	\$266	\$266	\$266	\$266

The rates approved by the legislature are the maximum that the program may charge during the interim. They are not the rates the program must charge.

06578 – Technical Services Direct

Proprietary Proposed Budget

The following 2021 Biennium Report on Internal Service and Enterprise Funds for fund 06578 shows the actual and projected revenues and expenses associated with the fund from FY 2018 through FY 2021. The report is provided as submitted by the executive, but the LFD has edited and reconfigured the figure for clarity.

Figure 16

2021 Biennium Report on Internal Service and Enterprise Funds

Agency #	Agency Name	Program Name		
66020	Labor and Industry	Technology Services Division		
Fund	Fund Name			
06578	Technical Services Direct			
	Actual FY 2018	Budgeted FY 2019	Proposed FY 2020	Proposed FY 2021
Operating Revenues:				
Fee and Charges				
Non Federal Ind Cost Recovery	3,415,923	3,705,479	3,705,479	3,705,479
Federal Indirect Cost Recovery	1,272,281	1,370,519	1,370,519	1,370,519
Total Operating Revenues	4,688,203	5,075,998	5,075,998	5,075,998
Expenses:				
Other Operating Expenses	4,678,950	5,075,998	5,075,998	5,075,998
Total Operating Expenses	4,678,950	5,075,998	5,075,998	5,075,998
Operating Income (Loss)	9,253	-	-	-
Change in Net Position	9,253	-	-	-
Beginning Net Position - July 1	(9,253)	-	-	-
Prior Period Adjustments	-	-	-	-
Change in Net Position	9,253	-	-	-
Ending Net Position - June 30	\$0	\$0	\$0	\$0
Net Position (Fund Balance) Analysis				

Proprietary Program Description

This fund has two rates that are direct pass thru costs to the department divisions. The rate for enterprise services provided by State Information Technology Services Division (SITSD) is allocated on total cost by division FTE. The other direct rate is for actual cost of contracted and SITSD services that are directly attributable to a specific division.

*Proprietary Program Narrative*Expenses

The Technical Services Direct fund includes expenses for pass through information technology expenditures that could be directly related to a division. These include SITSD charges, software purchases, and contract payments.

Revenues

The Enterprise Services rate is all SITSD charges that directly benefit the department as a whole. Those total costs are distributed based on department FTE. The direct rate includes actual expenditures that can be identified as directly benefiting a specific program such as contracts and specific SITSD services.

All programs which utilize these services have a present law adjustment in the proposed budget to account for the proposed rate. If the rate approved by the legislature differs from the rate proposed, program budgets will need to be adjusted accordingly to maintain alignment with decisions made for this program.

Proprietary Rates

For the 2021 biennium, the following rates are proposed by the executive. The rates are charged in the base year, and rates paid state agencies in FY 2018 are shown for comparison purposes.

Figure 17

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 2018	Budgeted FY 2019	Proposed FY 2020	Proposed FY 2021
Fee Description:				
Enterprise	\$819,755	\$819,755	\$819,755	\$819,755
Direct Services	Actual Cost	Actual Cost	Actual Cost	Actual Cost

The Enterprise Services Rate is calculated on specific SITSD services that benefit the department as a whole. The total budgeted SITSD rate for a portion of asset broker, enterprise services, equipment hosting, operational support, server, and storage hosting services are allocated back to divisions based on FTE percentages. The direct services rate is calculated on all other SITSD services and department contracted services and allocated back to the benefiting division based on actual expenditures.

The rates approved by the legislature are the maximum the program may charge during the biennium. They are not the rates the program must charge.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	615,294	703,764	88,470	14.38 %
Operating Expenses	442,565	558,148	115,583	26.12 %
Grants	6,130,044	6,189,444	59,400	0.97 %
Transfers	464,000	501,300	37,300	8.04 %
Debt Service	1,904	1,904	0	0.00 %
Total Expenditures	\$7,653,807	\$7,954,560	\$300,753	3.93 %
General Fund	271,589	298,384	26,795	9.87 %
State/Other Special Rev. Funds	24,776	24,776	0	0.00 %
Federal Spec. Rev. Funds	7,357,442	7,631,400	273,958	3.72 %
Total Funds	\$7,653,807	\$7,954,560	\$300,753	3.93 %
Total Ongoing	\$7,653,807	\$7,954,560	\$300,753	3.93 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Governor's Office of Community Services (OCS) and the Governor-appointed Montana Commission on Community Service were created in 1993 to promote and expand national service and community volunteer opportunities in Montana. The Office of Community Services administers federal funding to AmeriCorps State programs in Montana. The federal funding is provided by the Corporation for National and Community Service, an independent federal agency. OCS provides a comprehensive array of technical assistance and support national service programs and service organizations throughout Montana.

Program Highlights

Office of Community Services Major Budget Highlights
<ul style="list-style-type: none"> • The Office of Community Services' 2021 biennium budget request is approximately \$301,000 or 3.9% higher than the 2019 biennium budget • Proposed changes include: <ul style="list-style-type: none"> ◦ Increases in general fund and federal special revenue for statewide present law adjustments for personal services, fixed costs, and inflation/deflation ◦ Increases in federal funding for the Corporation for National and Community Service (CNCS) AmeriCorps program grants
Major LFD Issues
<ul style="list-style-type: none"> • SB 9 restorations to operating expenses instead of personal services increase the total 2021 biennium appropriations by \$14,000 each year

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	4.00	4.00	4.00	4.00
Personal Services	303,701	304,142	311,152	352,270	351,494
Operating Expenses	146,212	213,167	229,398	278,847	279,301
Grants	2,980,216	3,065,022	3,065,022	3,094,722	3,094,722
Transfers	193,320	232,000	232,000	250,650	250,650
Debt Service	1,185	952	952	952	952
Total Expenditures	\$3,624,634	\$3,815,283	\$3,838,524	\$3,977,441	\$3,977,119
General Fund	123,282	123,285	148,304	149,234	149,150
State/Other Special Rev. Funds	0	12,388	12,388	12,388	12,388
Federal Spec. Rev. Funds	3,501,352	3,679,610	3,677,832	3,815,819	3,815,581
Total Funds	\$3,624,634	\$3,815,283	\$3,838,524	\$3,977,441	\$3,977,119
Total Ongoing	\$3,624,634	\$3,815,283	\$3,838,524	\$3,977,441	\$3,977,119
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The Office of Community Services expended 95.0% of its \$3.8 million HB 2 modified budget in FY 2018, which is within the expected range for fiscal year end. Expenditures for personal services and operating expenses were also at normal levels for fiscal year end.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations for the Office of Community Services are approximately \$23,000 or 0.6% higher than the FY 2018 total appropriation.

There were several increases in the difference between the FY 2018 and FY 2019 appropriations due to:

- State share contribution reductions for FY 2018, totaling \$8,000
- An increase in the FY 2019 appropriation due to the SB 9 restorations of approximately \$15,000
- SB 294 pay plan increase in FY 2019, totaling \$1,000
- An increase in the statewide present law adjustments for FY 2019, in the amount of \$3,000

There was also a decrease in the difference between the FY 2018 and FY 2019 appropriations due to:

- Two executive modifications which resulted in an increase in the FY 2018 appropriation of approximately \$4,000

Executive Request

The Office of Community Services budget proposed by the executive is \$301,000 or 3.9% greater than the 2019 biennium budget.

Personal services were \$311,000 or 8.1% of total FY 2019 appropriations. The executive proposes an increase in general fund and federal special revenue, totaling approximately \$41,000 in FY 2020 and \$40,000 in FY 2021. This increase is primarily due to a present law adjustment for an increase in federal funding for the Corporation for National and Community Service AmeriCorps program grants, which will be discussed in detail in the Present Law Adjustment section below. The personal services request also includes the statewide present law adjustment for personal services, which totals an increase of \$33 in FY 2020 and a decrease of \$743 in FY 2021.

Operating expenses were approximately \$229,000 or 6.0% of total FY 2019 appropriations. The executive proposes an increase in general fund and federal special revenue, totaling approximately \$49,000 in FY 2020 and \$50,000 in FY 2021. This increase is primarily due to the statewide present law adjustment for fixed costs and the present law adjustment for Corporation for National and Community Service (CNCS) AmeriCorps program grants, which will be discussed in detail in the Present Law Adjustments section below.

Program Personal Services

Personal services were \$311,000 or 8.1% of total FY 2019 appropriations for the Office of Community Services. The executive proposes a statewide present law increase of \$33 in FY 2020 and a decrease of \$743 in FY 2021.

In addition to the formula-based changes, the 2021 biennium personal service statewide present law request includes management decisions, the proposed reinstatement of personal services, and a modification to the personal services base budget.

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover

The proposed reinstatement of personal services includes:

- The reinstatement of the 2017 Regular Session budget cuts
- Reinstatement of the SB 261 pay plan reductions
- The SB 9 general fund restorations
- Increases due to changes in vacancy savings requirements
 - The change from the 2016 snapshot of 4.0% to the 2018 snapshot of 2.0%
 - The reduction of the extra 2.0% legislatively imposed vacancy savings in the 2017 Regular Session

The modification to the personal services base budget is due to reductions approved during the November 2017 Special Session that were applied to personal services. These reductions were restored to operating expenses, which has increased the personal services base budget.

**LFD
ISSUE**

Transferring Authority from Personal Services to Operating Expenses Appropriations Increases the 2021 Biennium Budget

In FY 2019, the Office of Community Services eliminated approximately \$14,000 in personal services as part of its reductions required by the November 2017 Special Session.

Personal services appropriations for the 2021 biennium use the salary and related benefits associated with FTE to establish the level of appropriation required for personal services. Since the Office of Community Services did not reduce FTE along with the eliminated personal services funding in FY 2019, the personal services reduction automatically returns when the personal services snapshot is used to establish the base level of funding required in the 2021 biennium. As a result, the Office of Community Services has a base budget \$14,000 higher each fiscal year than it would have been, had the appropriation remained in personal services instead of operating expenses, or as an alternative if FTE been reduced for the transfer of authority from personal services to operating expenses.

Legislative options:

- Reduce personal services funding supporting FTE to offset the transfer of personal services funding in FY 2019
- Reduce operating expenses by the amount restored
- Gain understanding from the agency regarding underlying specific funding requirements and adjust budget as needed

Funding

The following table shows proposed program funding by source of authority.

Department of Labor and Industry, 07-Office of Community Services Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	298,384	0	0	0	298,384	3.75 %	
02190 OCS - Training	24,776	0	0	0	24,776	100.00 %	
02252 DLI Operations	0	0	0	0	0	0.00 %	
State Special Total	\$24,776	\$0	\$0	\$0	\$24,776	0.31 %	
03322 MT Community Service FSR	7,631,400	0	0	0	7,631,400	100.00 %	
Federal Special Total	\$7,631,400	\$0	\$0	\$0	\$7,631,400	95.94 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$7,954,560	\$0	\$0	\$0	\$7,954,560		

HB 2 Funding

General fund and state special revenue combine provide approximately 3.8% of the program revenues and fund most of the administrative expenses for the program.

Federal Special Revenue

- The majority of the funding for the program is provided through federal AmeriCorps grants
- Federal revenue provides the remainder of funding for administrative expenses including the funding for grant and special projects administered by the program

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	
2019 Base Budget	148,304	148,304	296,608	99.40 %	3,838,524	3,838,524	7,677,048	96.51 %	
SWPL Adjustments	930	846	1,776	0.60 %	4,220	3,898	8,118	0.10 %	
PL Adjustments	0	0	0	0.00 %	134,697	134,697	269,394	3.39 %	
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %	
Total Budget	\$149,234	\$149,150	\$298,384		\$3,977,441	\$3,977,119	\$7,954,560		

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	8	0	25	33	0.00	(171)	0	(572)	(743)
DP 2 - Fixed Costs	0.00	922	0	3,084	4,006	0.00	1,017	0	3,399	4,416
DP 3 - Inflation Deflation	0.00	0	0	181	181	0.00	0	0	225	225
DP 7001 - Federal Increase	0.00	0	0	134,697	134,697	0.00	0	0	134,697	134,697
Grand Total All Present Law Adjustments	0.00	\$930	\$0	\$137,987	\$138,917	0.00	\$846	\$0	\$137,749	\$138,595

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 7001 - Federal Increase -

The executive requests a base appropriation adjustment to utilize additional federal funding from the Corporation for National and Community Service AmeriCorps program grants.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	1,172,420	1,259,700	87,280	7.44 %
Operating Expenses	315,054	308,649	(6,405)	(2.03)%
Debt Service	4,630	4,630	0	0.00 %
Total Expenditures	\$1,492,104	\$1,572,979	\$80,875	5.42 %
State/Other Special Rev. Funds	1,492,104	1,572,979	80,875	5.42 %
Total Funds	\$1,492,104	\$1,572,979	\$80,875	5.42 %
Total Ongoing	\$1,492,104	\$1,572,979	\$80,875	5.42 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The Workers' Compensation Court, created on July 1, 1975, provides a forum for Montana employees, employers, and the insurance industry to resolve disputes arising from work-related injuries and occupational diseases. The court is attached to the department for administrative purposes only.

Program Highlights

Workers' Compensation Court Major Budget Highlights
<ul style="list-style-type: none"> • The Workers' Compensation Court's 2021 biennium budget request is approximately \$81,000 or 5.4% higher than the 2019 biennium budget • Proposed changes include: <ul style="list-style-type: none"> ◦ Increases in state special revenue for statewide present law adjustments for personal services, fixed costs, and inflation/deflation

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	7.00	7.00	7.00	7.00
Personal Services	553,136	565,563	606,857	630,292	629,408
Operating Expenses	164,686	166,274	148,780	154,297	154,352
Debt Service	1,254	2,315	2,315	2,315	2,315
Total Expenditures	\$719,076	\$734,152	\$757,952	\$786,904	\$786,075
State/Other Special Rev. Funds	719,076	734,152	757,952	786,904	786,075
Total Funds	\$719,076	\$734,152	\$757,952	\$786,904	\$786,075
Total Ongoing	\$719,076	\$734,152	\$757,952	\$786,904	\$786,075
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The Workers' Compensation Court expended 97.9% of its \$734,000 HB 2 modified budget in FY 2018, which is at a reasonable level for fiscal year end. Expenditures for personal services and operating expenses for the division were also within the anticipated range for fiscal year end.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations for the Workers' Compensation Court are approximately \$24,000 or 3.2% higher than the FY 2018 total appropriation due to:

- State share contribution reductions for FY 2018, totaling \$15,000
- SB 294 pay plan increase in FY 2019, totaling \$5,000
- An increase in the statewide present law adjustments for FY 2019, in the amount of \$4,000

Executive Request

The Workers' Compensation Court budget proposed by the executive is \$81,000 or 5.4% greater than the 2019 biennium budget.

Personal services were \$607,000 or 80.1% of total FY 2019 appropriations. The executive proposes an increase in state special revenue, totaling approximately \$23,000 in both FY 2020 and FY 2021. This increase is due to the statewide present law adjustment for personal services, which will be discussed in detail in the Program Personal Services section below.

Operating expenses were approximately \$149,000 or 19.6% of total FY 2019 appropriations. The executive proposes an increase in state special revenue, totaling approximately \$6,000 in both FY 2020 and FY 2021. This increase is due to the statewide present law adjustment for fixed costs and inflation/deflation, which will be discussed in detail in the Present Law Adjustments section below.

Program Personal Services

Personal services were \$607,000 or 80.1% of total FY 2019 appropriations for the Worker's Compensation Court. The executive proposes a statewide present law increase of approximately \$23,000 in both FY 2020 and FY 2021.

In addition to the formula-based changes, the 2021 biennium personal service present law request includes management decisions and the proposed reinstatement of personal services.

The personal services management decisions include:

The personal services management decisions include:

- Broadband pay raises and wage changes due to employee turnover

The proposed reinstatement of personal services includes:

- The reinstatement of the 2017 Regular Session budget cuts
- Increases due to changes in vacancy savings requirements
 - The change from the 2016 snapshot of 4.0% to the 2018 snapshot of 2.0%
 - The reduction of the extra 2.0% legislatively imposed vacancy savings in the 2017 Regular Session

Funding

The following table shows proposed program funding by source of authority.

Department of Labor and Industry, 09-Workers Compensation Court Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02455 Workers' Comp Regulation	1,572,979	0	0	0	1,572,979	100.00 %	
State Special Total	\$1,572,979	\$0	\$0	\$0	\$1,572,979	100.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$1,572,979	\$0	\$0	\$0	\$1,572,979		

HB 2 Funding

State Special Revenue

- The court is entirely funded with state special revenue derived from a fee charged to workers' compensation carriers in Montana
- The fee is passed on to Montana businesses when their workers' compensation premiums are determined by the carriers

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	0	0	0	0.00 %	757,952	757,952	1,515,904	96.37 %
SWPL Adjustments	0	0	0	0.00 %	28,952	28,123	57,075	3.63 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$786,904	\$786,075	\$1,572,979	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	23,435	0	23,435	0.00	0	22,551	0	22,551
DP 2 - Fixed Costs	0.00	0	5,247	0	5,247	0.00	0	5,236	0	5,236
DP 3 - Inflation Deflation	0.00	0	270	0	270	0.00	0	336	0	336
Grand Total All Present Law Adjustments	0.00	\$0	\$28,952	\$0	\$28,952	0.00	\$0	\$28,123	\$0	\$28,123

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula-based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.