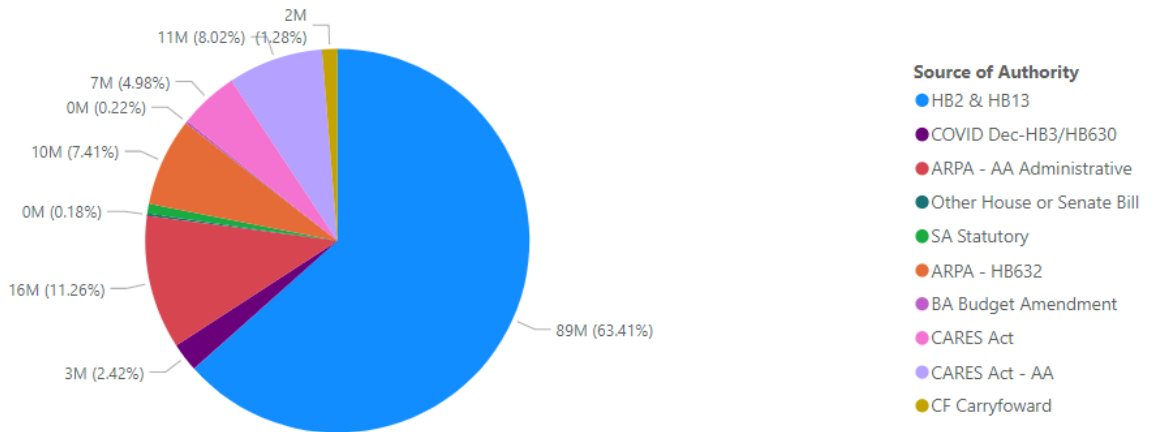


DEPARTMENT OF LABOR AND INDUSTRY

TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the agency is shown in the pie chart below. HB 2 and HB 13 provide 63.4% of the total authority for this agency. All types of appropriation authority for this agency are described below, including total budget and the percent expended by source of authority.

Total Modified Budget by Source of Authority



| Source of Authority | Modified Budget | Expended Budget | Percent Expended |
|----------------------------|--------------------|-------------------|------------------|
| HB2 & HB13 | 89,204,692 | 66,387,346 | 74.4% |
| BA Budget Amendment | 302,615 | 229,292 | 75.8% |
| CF Carryforward | 1,805,621 | 1,070,429 | 59.3% |
| Other House or Senate Bill | 259,317 | 37,219 | 14.4% |
| SA Statutory | 1,153,220 | 822,484 | 71.3% |
| CARES | 18,275,745 | 13,684,046 | 74.9% |
| CARES II | 3,406,051 | 298,424 | 8.8% |
| ARPA | 26,266,642 | 5,464,951 | 20.8% |
| Total | 140,673,902 | 87,994,191 | 62.6% |

Report Period

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

Budget Amendments

For FY 2022, the Department of Labor and Industries (DOLI) budget included \$303,000 in budget amendment authority. Currently, there are three budget amendments from federal special revenue accounts. The largest is for the Work Opportunities Tax Credit Program (\$180,000), which gives employers a tax credit if they hire qualified individuals with substantial barriers to employment. A budget amendment was established for the State Appraiser Regulatory Agency Support Grant totaling \$78,400. Lastly, a budget amendment was established for the Montana community service projects in the Office of Community Services (OCS; \$44,000). As of the end of May, the agency has expended \$229,000 or 75.8% of these budget amendment appropriations.

Carryforward

DOLI has carryforward authority totaling \$1.8 million in FY 2022 from FY 2020 (\$1.1 million) and FY 2021 (\$735,000). Carryforward authority from FY 2020 will be available through FY 2022 and authority from FY 2021 will be available through FY 2023. Almost all of the carryforward authority is from the employment

security account, a state special revenue account that receives funds from an administrative assessment against the payroll of Montana employers. DOLI plans to use these funds in the Unemployment Insurance Division to help offset expenditures as federal funds for the pandemic begin to expire. To date, \$1.1 million or 59.3% has been expended.

Other Bills

SB 191 – Revise State Finance Laws

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

- HB 198 – If an employee dies as a result of an accident from employment and during employment, the Department of Labor and Industry will provide compensation for burial expenses. This bill increased the maximum amount workers’ compensation benefits will pay for these burial expenses. Appropriations total \$2,692 and no expenditures have been made
- HB 210 – Eliminated the speech/audiology aide position. DOLI is responsible for implementing these changes as they are in charge of the administration and rulemaking for the Speech-Language Pathology Program. Appropriations for this bill total \$24,971, and no expenditures have been made
- HB 217 – Established licensure for genetic counselors. Appropriations total \$51,762, and as of the end of May, \$22,754 had been expended
- HB 276 – Added a behavioral health peer support specialist to the Board of Behavioral Health. An appropriation of \$4,158 was given to implement this bill. As of the end of May, there had been no expenditures
- HB 495 – Created a health care provider task force, for which DOLI will provide clerical and administrative services. This appropriation is one-time-only (OTO) and totals \$2,480. As of the end of May, \$949 had been expended
- HB 593 – This bill revised barber and cosmetology laws, including membership, rulemaking, and licensure requirements. Appropriations total \$10,119, and no expenditures have been made
- HB 702 – This bill prohibits discrimination based on a person’s vaccination status. DOLI anticipates that there will be an increase in complaints submitted to the Human Rights Bureau due to this bill. Therefore, to fund these additional legal costs, a total of \$98,694 in general fund has been appropriated. As of the end of May, \$6,930 had been expended
- SB 39 – Requires the boards of Behavioral Health, Medical Examiners, Nursing, and Psychologists to establish standards and guidelines for the evaluation, treatment, and monitoring of sexual offenders. To implement this bill, an appropriation totaling \$27,912 was given, and as of the end of May, \$6,341 has been expended
- SB 106 – Created licensure and establishment of qualifications for veterinary technicians. To implement this bill, \$27,415 was appropriated, and as of the end of May, no expenditures have been made
- SB 374 – Revised laws relating to dispensing of drugs by medical practitioners. DOLI is responsible for the rulemaking associated with this bill. An appropriation totaling \$6,150 was given, and no expenditures have been made

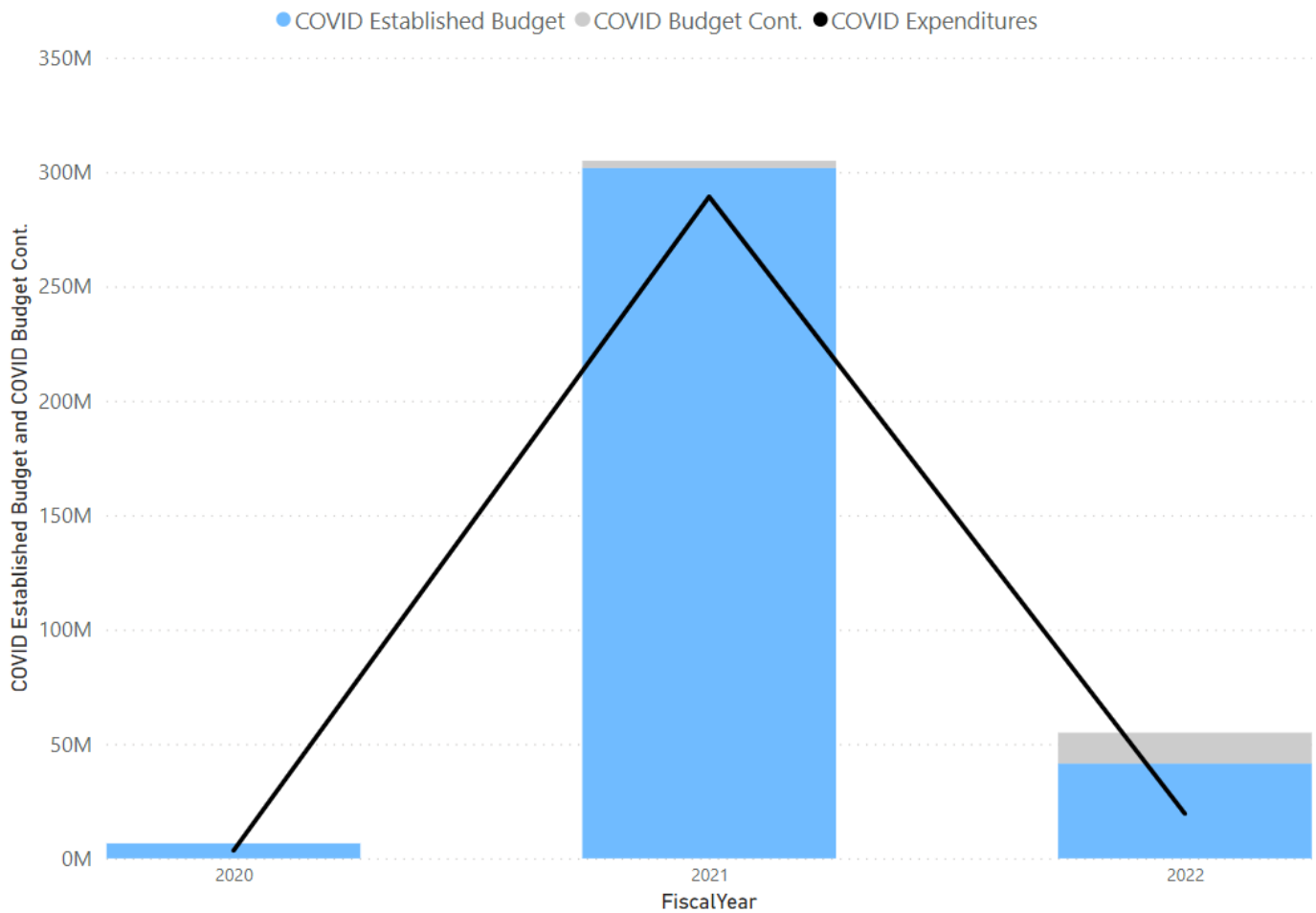
- SB 396 – Revised laws applying to boilers. This bill creates a limited low-pressure engineer license and allows DOLI to assess fees for licensing. The appropriation is OTO and totals \$1,176. No expenditures have been made

All of these appropriations are state special revenue except for HB 702, which is general fund. As of the end of May, the agency expended \$37,000 or 14.4% of these appropriations. The agency anticipates expending all of these funds by the end of the fiscal year.

COVID-19 Authority

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

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



The agency received approximately \$311.0 million and expended \$305.7 million or 98.3% from the Coronavirus Aid, Relief, and Economic Security (CARES) Act I. The majority of this funding (\$212.5 million) was used for the unemployment insurance trust to offset the higher costs of the state unemployment insurance program due to the high number of unemployment insurance claimants during the pandemic. Approximately, \$98.1 million was budgeted for the administration and payment of federal unemployment insurance benefit programs in the Unemployment Insurance Division (UID).

The remaining funds were allocated, as follows:

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

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

The American Rescue Plan Act (ARPA) provided \$5.5 million for the OCS and \$5.2 million for unemployment insurance administration, which was appropriated through HB 632. These funds are available until December 31, 2024. From the coronavirus state and local fiscal recovery funds, the WSD received \$15.0 million for return-to-work bonuses, \$10.0 million for the Rapid Retraining Program, and \$2.0 million for the Individuals with Disabilities Employment Engagement Program. It was proposed and approved by the ARPA advisory commission that, of the remaining return-to-work bonus funds, approximately \$4.4 million (\$4.0 million to DOLI for implementation and administration and \$350,000 to the Department of Commerce for marketing) will be used for recruitment and employment of out-of-state health care workers. Additionally, at the end of the return-to-work program DOLI returned \$6,985,200 of unspent authority to the Office of Budget and Program Planning (OBPP). To date, \$162,000 has been expended for the recruitment and employment of out-of-state health care workers. As of May 11, 2022, reimbursements for 12 out-of-state healthcare workers had been made and 228 additional positions from 55 healthcare businesses had been approved for the program. In total, DOLI received \$26.6 million in ARPA appropriations and has expended \$5.8 million to date.

Statutory Appropriations

Statutory appropriations account for less than 1.0% of the Department of Labor and Industry’s total FY 2022 budget. Of the approximately \$1.2 million budgeted in FY 2022, \$822,000 or 71.3% has been expended. Further discussion of statutory appropriations is below.

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

The UEF is a state special revenue fund that ensures employees who are injured on the job while working for an uninsured employer receive the full benefits. This fund receives revenues from the department’s collection of penalties from uninsured employers. The majority of the agency’s statutory appropriations are for the UEF (54.2%). For FY 2022, \$625,000 was appropriated for the UEF, of which \$579,000 or 92.5% has been expended. This is an increase in authority from the last quarterly report as there was an increase in claims.

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

The Board of Public Accountants is responsible for regulating certified public accountants and their firms to ensure they are compliant with the professional standards and the laws set by the State of Montana. Approximately \$369,000 was appropriated in FY 2022, and \$150,000 or 40.7% has been expended.

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

The Underground Facility Protection Program was created in 2017 when HB 365 became law. The statute requires the Department of Labor and Industry to have a program that monitors, maintains records, and issues

civil penalties for incidents where underground facilities are damaged during excavations. In FY 2022, \$96,000 was appropriated, and \$78,000 or 81.8% has been expended.

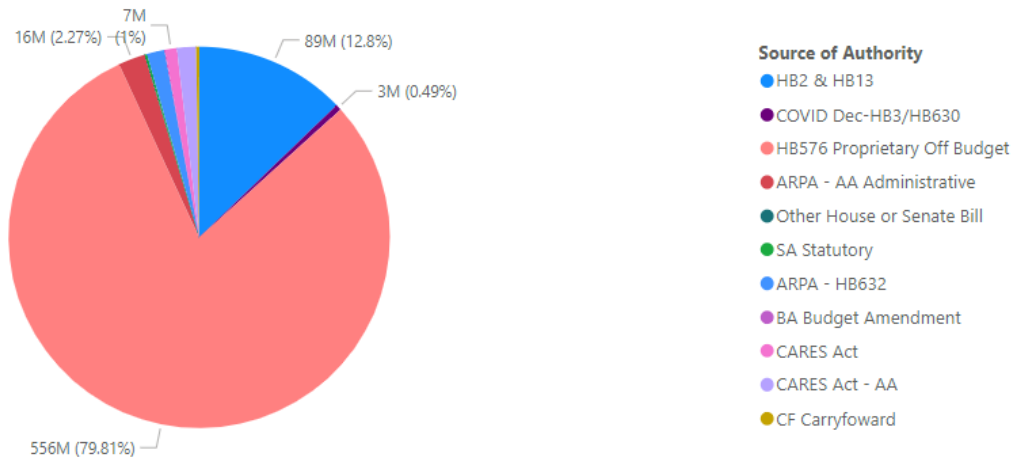
Board of Real Estate Appraisers (2-15-1758, MCA)

Due to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, every state was required to establish an agency for the licensure, certification, and regulation of real estate appraisers. Of the \$62,500 that has been appropriated for FY 2022, \$16,000 has been expended.

TOTAL EXPENDITURE AUTHORITY

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

Modified Budget and Expended Budget by Source of Authority



| Source of Authority | Modified Budget | Expended Budget | Percent Expended |
|------------------------------|--------------------|--------------------|------------------|
| HB2 & HB13 | 89,204,692 | 66,387,067 | 74.4% |
| BA Budget Amendment | 302,615 | 229,292 | 75.8% |
| CF Carryforward | 1,805,621 | 1,070,429 | 59.3% |
| HB576 Proprietary Off Budget | 556,143,509 | 109,080,925 | 19.6% |
| NB Non-Budgeted | | 849,557 | Infinity |
| Other House or Senate Bill | 259,317 | 37,219 | 14.4% |
| SA Statutory | 1,153,220 | 822,484 | 71.3% |
| CARES | 18,275,745 | 13,684,046 | 74.9% |
| CARES II | 3,406,051 | 298,424 | 8.8% |
| ARPA | 26,266,642 | 5,464,951 | 20.8% |
| Total | 696,817,411 | 197,924,393 | 28.4% |

Report Period

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

The Department of Labor and Industry has approximately \$556.1 million in non-budgeted proprietary funding for FY 2022, of which \$109.1 million or 19.6% has been expended. Approximately \$534.2 million is for the unemployment insurance (UI) tax benefit fund which distributes UI benefits to claimants. Lower expenditures are due to the agency receiving COVID funds. The remaining funding is for the Technology Services Division, Commissioner’s Office and Centralized Services Division, subsequent injury trust fund in the Employment Standards Division, and the Montana Career Information System in the Workforce Services Division.

The agency has expended non-budgeted funds totaling \$850,000. This fund is primarily used as a holding account for expenses in the Workforce Services Division that are allocated across all programs monthly. By year-end, these funds are allocated to the appropriate fund within HB 2 authority. This fund also includes expenditures for conference costs, the Organ Donor Program in the Office of Community Services, and the Governor’s scholarship fund for youth.

HB 2 BUDGET MODIFICATIONS

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

Legislative Budget Compared to Modified Budget - HB 2 Only

| Agency Name | March Modified Budget | June Modified Budget | Net Modifications |
|-------------------------------------|-----------------------|----------------------|-------------------|
| ☐ Labor & Industry | 89,219,058 | 89,204,692 | -14,366 |
| COMMISSIONERS OFFICE & CSD | 1,622,197 | 1,621,088 | -1,109 |
| EMPLOYMENT STANDARDS DIVISION | 19,627,505 | 34,624,100 | 14,996,595 |
| OFFICE OF COMMUNITY SERVICES | 4,119,072 | 4,118,704 | -368 |
| TBD - EMPLOYMENT RELATIONS DIVISION | 15,031,521 | 0 | -15,031,521 |
| UNEMPLOYMENT INSURANCE DIV | 17,434,262 | 17,423,049 | -11,213 |
| WORKERS COMPENSATION COURT | 789,338 | 788,602 | -736 |
| WORKFORCE SERVICES DIVISION | 30,595,163 | 30,629,149 | 33,986 |
| Total | 89,219,058 | 89,204,692 | -14,366 |

| Acct & Lvl 1 DESC | March Modified Budget | June Modified Budget | Net Modifications |
|---------------------------------------|-----------------------|----------------------|-------------------|
| ☐ 61000 Personal Services | 49,889,670 | 49,759,799 | -129,871 |
| ☐ 62000 Operating Expenses | 28,648,851 | 28,656,356 | 7,505 |
| ☐ 63000 Equipment & Intangible Assets | 505,849 | 505,849 | 0 |
| ☐ 66000 Grants | 9,402,761 | 9,402,761 | 0 |
| ☐ 67000 Benefits & Claims | 100,389 | 100,389 | 0 |
| ☐ 68000 Transfers-out | 430,364 | 538,364 | 108,000 |
| ☐ 69000 Debt Service | 241,174 | 241,174 | 0 |

| Fund Type | March Modified Budget | June Modified Budget | Net Modifications |
|---------------------------|-----------------------|----------------------|-------------------|
| ☐ 01 General | 2,032,615 | 2,030,332 | -2,283 |
| ☐ 02 State/Other Spec Rev | 53,096,307 | 53,052,336 | -43,971 |
| ☐ 03 Fed/Other Spec Rev | 34,090,136 | 34,122,024 | 31,888 |

The Department of Labor and Industry had a modification that reduced the HB2 budget by \$68,699. Per 39-71-403(1)(b)(iv), MCA, when workers' compensation premiums are lower than the previous year, state agencies shall reduce personal services appropriations by the amount of the premium reduction. To track the changes in appropriation authority, total appropriations are not reduced, instead the Governor's Office of Budget and Program Planning (OBPP) requires state agencies to:

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

The offsetting entries are identified as “frozen” appropriations, which means the appropriations will not be spent unless authorized by OBPP. This modification reduced personal services in the Commissioner’s Office and Centralized Services Division, Employment Standards Division, Office of Community Services, Unemployment Insurance Division, Workers Compensation Court, and Workforce Services Division from the general fund, state special revenue, and federal special revenue.

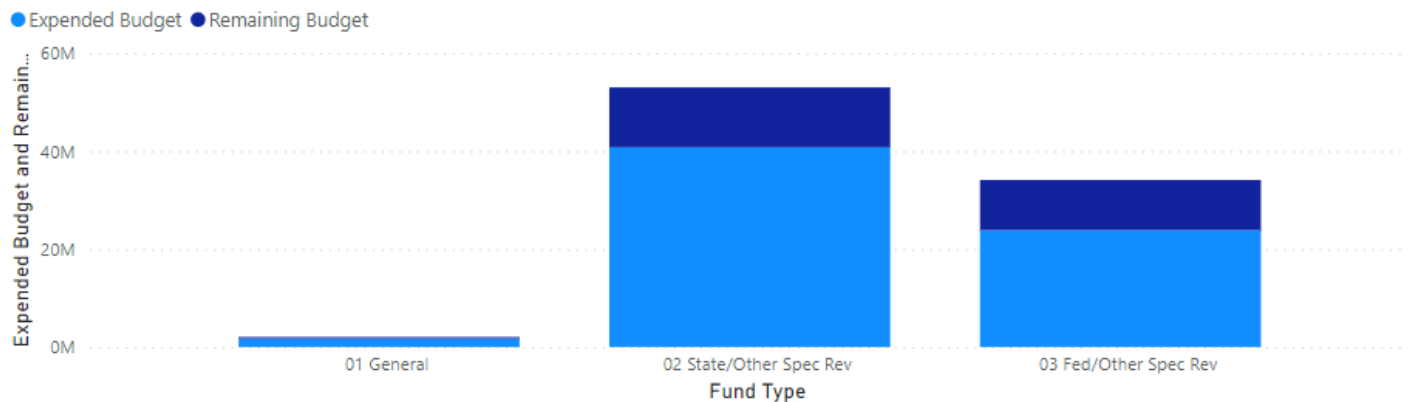
The Department of Labor and Industry also had a reorganization that moved all the FTE (118.98 FTE) and funding (\$15,031,521) from the Employment Relations Division to the Business Standards Division (Employment Standards Division). Due to both programs providing similar services to similar audiences, the agency believes that combining the two programs will improve customer service, streamline processes, and create efficiencies.

DOLI transferred \$108,000 from personal services expenditures to transfers-out expenditures in order to correctly record budget authority for Architecture and Engineering (A&E) projects. Additionally, DOLI received a permanent transfer from the Office of Public Instruction (OPI) to administer and operate the State Approving Agency Program (SAA). The Montana SAA reviews and approves educational and training programs for eligible veterans and beneficiaries. This transfer includes 1.00 FTE and the associated personal services funding (\$46,828) as well as a transfer of operating expenses totaling \$7,505.

HB 2 APPROPRIATION AUTHORITY

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

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



| acclv1_descr | Modified Budget | Expended Budget | Percent Expended |
|-------------------------------|-----------------|-----------------|------------------|
| Personal Services | 49,759,799 | 40,733,027 | 81.9% |
| Operating Expenses | 28,656,356 | 18,228,855 | 63.6% |
| Equipment & Intangible Assets | 505,849 | 69,747 | 13.8% |
| Grants | 9,402,761 | 6,124,014 | 65.1% |
| Benefits & Claims | 100,389 | 18,550 | 18.5% |
| Transfers-out | 538,364 | 248,477 | 46.2% |
| Debt Service | 241,174 | 964,676 | 400.0% |

| Program Name | Modified Budget | Expended Budget | Percent Expended |
|-------------------------------------|-------------------|-------------------|------------------|
| COMMISSIONERS OFFICE & CSD | 1,621,088 | 1,191,377 | 73.5% |
| EMPLOYMENT STANDARDS DIVISION | 34,624,100 | 26,863,188 | 77.6% |
| OFFICE OF COMMUNITY SERVICES | 4,118,704 | 2,841,907 | 69.0% |
| TBD - EMPLOYMENT RELATIONS DIVISION | 0 | 0 | NaN |
| UNEMPLOYMENT INSURANCE DIV | 17,423,049 | 12,699,542 | 72.9% |
| WORKERS COMPENSATION COURT | 788,602 | 581,473 | 73.7% |
| WORKFORCE SERVICES DIVISION | 30,629,149 | 22,209,859 | 72.5% |
| Total | 89,204,692 | 66,387,346 | 74.4% |

The Department of Labor and Industry's HB 2 modified budget totals \$89.2 million for FY 2022. The majority of the funding is from state special revenue funds for personal service expenditures. As of the end of May, DOLI has expended \$66.4 million or 74.4%.

Debt services shows a 400.0% expenditure. This high expenditure is due to a new accounting standard that requires agencies to report rental lease payments for leases over \$100,000 in a debt service account rather than in operating expenses.

Personal Services

Personal services make up 55.8% of the total HB 2 budget for FY 2022, with \$40.7 million or 81.9% expended as of the end of May.

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



DOLI had 13.6%, or 90.86 FTE, of its HB 2 positions vacant as of May 1, 2022, which includes:

- 45.25 FTE in the Workforce Services Division
- 10.61 FTE in the Unemployment Insurance Division
- 1.00 FTE in the Commissioner’s Office and Centralized Services Division
- 32.00 FTE in the Business Standards Division
- 2.00 FTE in the Workers Compensation Court

For a detailed report on vacancies by job type please refer to the attached vacant FTE report. Of the 90.86 FTE vacant, 31.00 FTE are employment specialist positions in the Workforce Services Division. DOLI has noted that they continue to face hiring difficulties due to a tight labor market and having offices all across the State of Montana. However, they are continuing to explore additional efforts to attract and retain workers.

Next Steps for Personal Services Reporting

In upcoming Quarterly Financial Reports, the LFD will begin the process of a more comprehensive look at personal services. The LFD will compare two executive “snapshots” -- July 2020 and July 2022. The analysis will identify adjustments adopted by the legislature in 2021 and modifications made by the agencies, within the confines of budget law.

The September Quarterly Financial Report will provide the complete comparison from July 2020 to July 2022. Ultimately, the analysis will result in a description of all the components that will be part of the executive’s decision package one (DP 1) 2025 biennium budget request. This work will prepare legislators for budget deliberations in the 2023 session. For a review of how DP 1 works and snapshot components, please read this [short brochure](#) from 2019.

Operating Expenses

Operating expenses make up 32.1% of the HB 2 modified budget. Of the \$28.6 million that was appropriated, \$18.2 million or 63.6% has been expended. The majority of the expenditures are for technology services costs.

OTHER ISSUES

Information Technology Project Expenditures

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

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

Integrated Case Management System Phase 2

The purpose of this project is to implement the case management solution, as identified in phase 1 of this project, to meet the needs of the Compliance and Investigation Bureau in the Employment Standards Division. This project was completed on March 31, 2022. This project had to revise its delivery date from November 30, 2021, to March 31, 2022, and its budget from \$885,000 to \$919,669. These revisions were made after completing phase 1, which provided more detailed insight into the total project costs and time needed to implement phase 2.

Unemployment Insurance Replacement Project

The Department of Labor and Industry is currently working with SITSD to determine options for an unemployment insurance (UI) replacement project. However, no vendor or system has been chosen yet.