

Program Budget Comparison

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	130.60	130.60	130.60	130.60	130.60	130.60	0.00	0.00%
Personal Services	7,338,563	7,884,282	7,404,678	7,413,111	15,222,845	14,817,789	(405,056)	(2.66%)
Operating Expenses	3,918,106	4,816,985	4,439,893	4,444,799	8,735,091	8,884,692	149,601	1.71%
Equipment & Intangible Assets	90,810	0	90,810	90,810	90,810	181,620	90,810	100.00%
Benefits & Claims	91,464	74,840	91,464	91,464	166,304	182,928	16,624	10.00%
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$11,438,943	\$12,776,107	\$12,026,845	\$12,040,184	\$24,215,050	\$24,067,029	(\$148,021)	(0.61%)
General Fund	1,073,320	1,080,436	974,437	1,000,441	2,153,756	1,974,878	(178,878)	(8.31%)
State Special	9,744,309	10,978,490	10,422,986	10,463,446	20,722,799	20,886,432	163,633	0.79%
Federal Special	621,314	717,181	629,422	576,297	1,338,495	1,205,719	(132,776)	(9.92%)
Total Funds	\$11,438,943	\$12,776,107	\$12,026,845	\$12,040,184	\$24,215,050	\$24,067,029	(\$148,021)	(0.61%)

Program Description

The Employment Relations Division (ERD) provides five service areas to the public: 1) Workers' Compensation (WC) Regulation Bureau, which regulates WC insurance coverage requirements, policy compliance, medical regulations, contractor registration, and independent contractor exemptions; 2) WC Claims Assistance Bureau, which assists organizations and individuals to arrive at early, less expensive settlements of their disputes, and provides management information on the workers' compensation system; 3) Labor Standards Bureau (and administratively attached Board of Personnel Appeals), which enforces state and federal labor laws related to the payment of wages and provides collective bargaining mediation; 4) Safety and Health Bureau, which administers federal and state industrial safety laws; and 5) Human Rights Bureau (and administratively attached Human Rights Commission), which enforces the Montana Human Rights Act and Governmental Code of Fair Practices through investigations, conciliation, hearings, and education. ERD also has one bureau, Management Services Bureau, that provides administrative and IT support to the other five bureaus.

Program Highlights

Employment Relations Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ Cost increases in personal services are due to: <ul style="list-style-type: none"> ● Fully funding positions that had experienced a vacancy rate in the base year above the 2015 biennium budgeted rate of 4% ● Longevity and broadband pay adjustments ◆ Increases are more than offset by increased vacancy savings of 2% for the agency, which is included in this budget. The legislature included language in HB 2 allowing the agency to allocate the reductions among the various divisions when it established operating plans for the 2015 biennium

Program Narrative

The legislature approved additional vacancy savings of 2% for the Department of Labor and Industry. The reduction was calculated on an agency wide basis but taken in the Employment Relations Division. The impact on the overall level of personal services funding was a reduction of \$1.8 million over the biennium. The legislature included language in HB 2 that allows the agency to allocate the reduction throughout the agency. Without the reduction the biennial change

between the 2013 and 2015 biennia is an increase of \$1.7 million or 6.9%. The majority of the increase was provided in personal services, including:

- o Funding vacancy savings at a budgeted rate of 4% compared to an actual FY 2012 rate of 12.7%
- o Increases for longevity and broadband pay adjustments

Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

Total Department Of Labor & Industry Funding by Source of Authority 2015 Biennium Budget - Employment Relations Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,974,878	\$0	\$0	\$1,974,878	7.3%		
State Special Total	\$20,886,432	\$0	\$1,528,006	\$22,414,438	82.8%		
02258 Employment Security Account	\$3,014,834	\$0	\$0	\$3,014,834	11.1%		
02263 Subsequent Injury Admin	\$89,449	\$0	\$0	\$89,449	0.3%		
02315 Dli Info Exchange/rental	\$12,000	\$0	\$0	\$12,000	0.0%		
02346 Contractor Registration	\$1,712,434	\$0	\$0	\$1,712,434	6.3%		
02455 Workers' Comp Regulation	\$13,301,900	\$0	\$0	\$13,301,900	49.1%		
02941 Uninsured Employer Fund	\$2,755,815	\$0	\$1,528,006	\$4,283,821	15.8%	39-71-503	Direct
Federal Special Total	\$1,205,719	\$0	\$0	\$1,205,719	4.5%		
03122 Eeoc	\$760,975	\$0	\$0	\$760,975	2.8%		
03130 Coal Mine Safety	\$88,162	\$0	\$0	\$88,162	0.3%		
03195 On-site Consultation	\$356,582	\$0	\$0	\$356,582	1.3%		
Proprietary Total	\$0	\$1,470,692	\$0	\$1,470,692	5.4%		
06040 Subsequent Injuiiry-trust Fund	\$0	\$1,470,692	\$0	\$1,470,692	5.4%		
Total All Funds	\$24,067,029	\$1,470,692	\$1,528,006	\$27,065,727	100.0%		
Percent - Total All Sources	88.9%	5.4%	5.6%				

HB 2 Funding

General fund supports the personal services and general operating costs of the Human Rights Bureau. The level of general fund support was reduced and federal funds increased. The federal Equal Employment Opportunity Commission contracts with the Human Rights Bureau to conduct investigations. The bureau has received federal reimbursements and accumulated a fund balance that the division did not have federal appropriation authority to use in previous biennia. The funding switch reduced general fund by \$475,000 one-time-only over the biennia.

State special revenue funds include:

- o Employment security funds generated through an assessment charged to employers as a percentage of their payroll
- o An annual administrative assessment of 3% of all compensation and medical benefits (excluding costs above \$200,000 per claim) paid during the previous calendar year that funds workers' compensation regulation
- o Contractor registration funding supporting the Workers' Compensation Regulation Bureau and a portion of the Management Services Bureau. Registration fees for independent contractor exemptions and construction contractor application fees are deposited into the fund
- o Uninsured employer fund assessments statutorily set at the premium uninsured employers would have paid had they been carrying workers' compensation insurance, with a minimum penalty of \$200. 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

Proprietary Funds

The division oversees the subsequent injury fund, a proprietary account that assists disabled persons in becoming employed by offering a financial incentive to the 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 Appropriations

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 division. The costs of administering the program are included as part of HB 2 appropriations.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	1,073,320	1,073,320	2,146,640	108.70%	11,438,943	11,438,943	22,877,886	95.06%
Statewide PL Adjustments	45,672	46,653	92,325	4.67%	899,741	911,737	1,811,478	7.53%
Other PL Adjustments	810	833	1,643	0.08%	33,631	35,947	69,578	0.29%
New Proposals	(145,365)	(120,365)	(265,730)	(13.46%)	(345,470)	(346,443)	(691,913)	(2.87%)
Total Budget	\$974,437	\$1,000,441	\$1,974,878		\$12,026,845	\$12,040,184	\$24,067,029	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,320,609					1,330,411
Vacancy Savings					(346,067)					(346,466)
Inflation/Deflation					(4,835)					(89)
Fixed Costs					(69,966)					(72,119)
Total Statewide Present Law Adjustments		\$45,672	\$757,333	\$96,736	\$899,741		\$46,653	\$768,263	\$96,821	\$911,737
DP 50 - Initial Motion to FY 2012 Base	0.00	(45,672)	(757,333)	(96,736)	(899,741)	0.00	(46,653)	(768,263)	(96,821)	(911,737)
DP 51 - Adjustment for Statewide Personal Services	0.00	119,800	789,317	65,423	974,540	0.00	120,663	797,245	66,036	983,944
DP 52 - Adjustment for Statewide Operations	0.00	(3,284)	(72,006)	490	(74,800)	0.00	(3,056)	(69,865)	714	(72,207)
DP 53 - Base Funding Switch	0.00	(70,845)	40,022	30,823	0	0.00	(70,954)	40,883	30,071	0
DP 402 - ERD Rent Adjustment	0.00	811	32,329	492	33,632	0.00	833	34,609	505	35,947
Total Other Present Law Adjustments	0.00	\$810	\$32,329	\$492	\$33,631	0.00	\$833	\$34,609	\$505	\$35,947
Grand Total All Present Law Adjustments	0.00	\$46,482	\$789,662	\$97,228	\$933,372	0.00	\$47,486	\$802,872	\$97,326	\$947,684

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government and Natural Resource and Transportation subcommittees.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 402 - ERD Rent Adjustment - The legislature approved funds each year of the biennium for an increase in off campus rent.

New Proposals

Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings										
04	0.00	0	(520,391)	(388,035)	(908,426)	0.00	0	(493,141)	(416,258)	(909,399)
DP 401 - Legal Funding Switch										
04	0.00	104,635	409,406	48,915	562,956	0.00	104,635	409,406	48,915	562,956
DP 403 - Funding Switch for the Human Rights Bureau (OTO)										
04	0.00	(250,000)	0	250,000	0	0.00	(225,000)	0	225,000	0
Total	0.00	(\$145,365)	(\$110,985)	(\$89,120)	(\$345,470)	0.00	(\$120,365)	(\$83,735)	(\$142,343)	(\$346,443)

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

DP 401 - Legal Funding Switch - The legislature approved a funding switch to formalize a reorganization of the legal structure. The legal fund switch includes an increase of \$562,956 in both years of the biennium of general fund, state special and federal special revenue. The Legal Unit was operating under two different methodologies and now operates under one, sharing resources and expertise. This affects five programs within the department, reducing HB 2 authority in the Centralized Services Division and increasing HB 2 authority in the divisions in order to pay for legal services provided.

DP 403 - Funding Switch for the Human Rights Bureau (OTO) - The legislature reduced general fund by \$250,000 in FY 2014 and \$225,000 in FY 2015 and replaced the funding with available federal funds. The federal Equal Employment Opportunity Commission contracts with the Human Rights Bureau to conduct investigations. The bureau has received federal reimbursements and accumulated a fund balance. The available federal funds are used to support the program in the 2015 biennium, reducing the federal fund balance.

Proprietary Rates

Subsequent Injury Fund - 06040

Program Description

The Subsequent Injury Fund was established in 1973 to assist disabled persons in becoming employed by offering a financial incentive to the employers who hire them. The incentive has a limit of 104 weeks of benefits paid by their Workers' Compensation carrier in the event of an on-the-job injury to the certified employee, thus minimizing workers' compensation expenses. Beginning July 1, 1999, the fund is maintained by annual assessment of all Montana Workers' Compensation insurers, including self-insured employers, private insurers, and the State Fund. The asset balance is maintained at approximately \$700,000 to provide an operating balance for payment of benefits and administrative costs. (39-71-901-920, 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.