

FY26 Budget Request

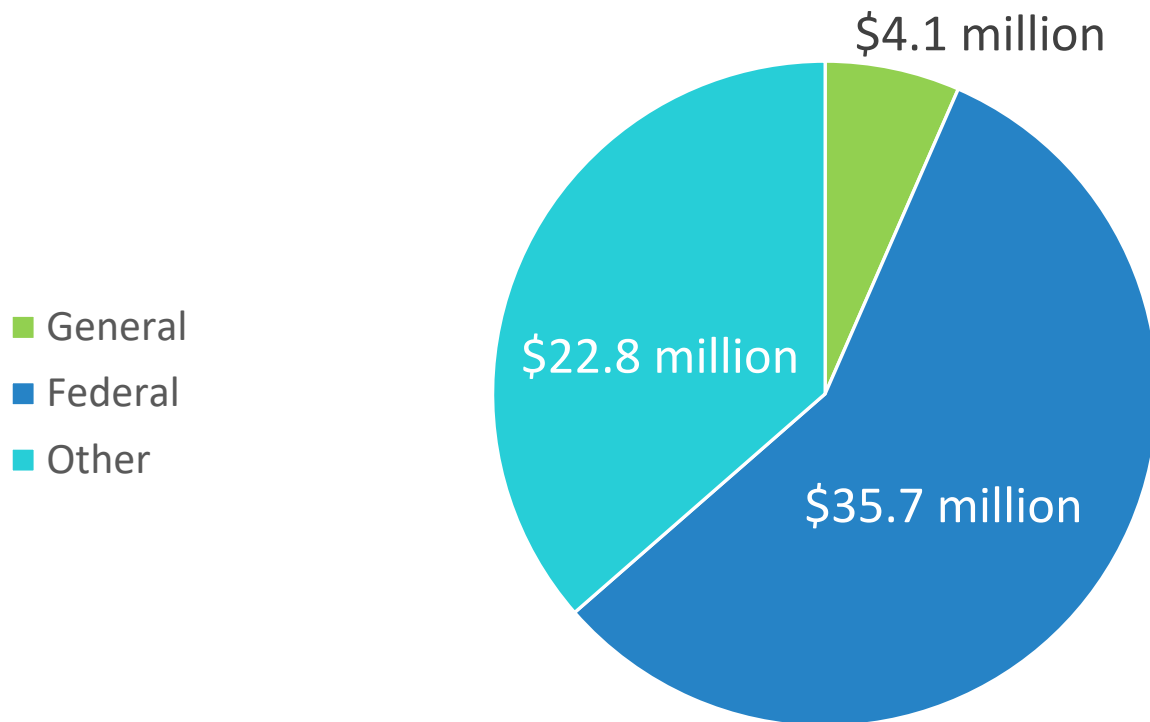
Department of Labor and Regulation

MONDAY, JANUARY 27, 2025

9:45 A.M. CST

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DLR FY26 Ongoing Budget



Secretariat Administration (pg. 5)

- Department-wide administrative, financial, property, and communications services
- Policy development for federal and state workforce programs
- Adult Education and Literacy (AEL) services

Job Service (pg. 16)

- Ten offices plus virtual services statewide help job seekers gain quality employment, build partnerships with employers in communities to help them get a qualified workforce, and provide labor information in our communities.

Secretariat and Job Service Changes

- Increase of \$32,896 in general funds for Adult Education and Literacy program provider inflation
- Increases of 1.0 FTE and \$964,753 in federal fund expenditure authority for 5-year State Digital Opportunity Capacity Grant (also in FY2025)
- Decreases of (1.0) FTE and (\$76,689) in federal fund expenditure authority for Building Maintenance Worker
- Increase of \$365,193 in general funds for rent and utility increases (\$128,481 in FY2025)
- Decrease of (6.0) FTE and (\$600,000) in other fund expenditure authority due to Career Ready grant from Department of Education reduction

Job Service Restructuring

- Created teams structure to improve training and program implementation efficiencies
- Improved access to services online (Virtual Job Fairs, Big Interview – interview and resume preparation, Bring Your 'A' Game soft skill e-learning series, one person to host virtual workshops at scheduled times)
- Turned five offices into virtual and by-appointment-only offices
- Expanded translation services to improve services to English language learners
- Developed an online workshop registration system
- Added texting features to our management information system to engage with customers
- Updated computers available for our clients to use in our Job Service lobbies

Reemployment Assistance (pg. 14)

The Reemployment Assistance (RA) program is designed to provide financial support to workers who have lost their job through no fault of their own.

- Pays weekly benefits
- Collects taxes from employers
- Collects wage data

SB26: An Act to reduce employer contribution rates and increase the administrative fee rate for reemployment assistance.


- Adjust employer contributions to the RA system so approximately \$3 million can be utilized for administration of the program
- Costs have increased but federal funding has not
- No additional administrative funding would result in substantial cuts to RA Division staff. In turn, South Dakota may fall out of compliance with the Federal Unemployment Tax Act (FUTA). Without the reduced FUTA, the employer tax will increase 10 times, causing a burden from \$42/employee to \$420/employee, a total of a \$183 million tax increase.

RA Computer System Replacement Update

SB 31 from 2022: \$5.5 million State Fiscal Relief Funds, \$1.5 million general funds, \$1 million other federal grants – Bureau of Information and Telecommunications development to move the RA computer system off the mainframe

- Continued structural groundwork for the migration and transition of additional internal claims processing tasks from the mainframe to Azure
- Implemented a new role-based security system to reduce the risk of internal fraud
- Converted several reports from the mainframe to SQL

State Labor Law (pg. 23)

- Administers State Labor Laws
 - Enforces wage and youth employment laws
 - Investigates State Human Rights complaints
 - Provides dispute resolution, regulatory enforcement, and investigation into workers' compensation claims
 - Administers appeals made on RA program decisions
 - No recommended budget changes
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Licensing Boards & Commissions (pg. 26-57)

- Abstractors
- Accountancy
- Athletic
- Barber Examiners
- Cosmetology
- Electrical
- Plumbing
- Real Estate
- Technical Professions

Fee Change Legislation

SB24: An Act to revise provisions relating to the promulgation of rules to set licensing and inspection fees for plumbers and related professions.

SB27: An Act to revise provisions relating to licensing fees for cosmetology, esthetics, and nail technology.

SB28: An Act to revise provisions relating to licensing fees and license renewal dates for the practice of barbering and to declare an emergency.

SB31: An Act to revise amounts for inspection fees for electrical installations.

SB32: An Act to revise amounts for licensing fees for the practice of accountancy.

New Licensure and Permitting Systems

- Technical Professions – Thentia's licensing system went live in May 2024 and is now fully operational.
- Electrical Commission – Thentia's licensing system went live in May 2024, but permitting and inspection portals were incomplete. A new procurement process began in October 2024 to replace Thentia with a consolidated platform.
- Plumbing Commission – Thentia's licensing system failed to launch in May 2024 due to unmet technical qualifications. A new procurement process began in October 2024, while the Plumbing Commission continues using its BIT-developed system.

Summary of Board Changes (informational)

- Plumbing Commission: 1.0 FTE and \$128,349 for additional Plumbing Inspector
- Barbers: 0.2 FTE and \$44,389 for part-time inspectors, \$10,000 for new computer system shared with Cosmetology
- Real Estate: 0.6 FTE and \$46,608 to reinstate the budget since staff no longer oversee the Massage Therapy Board
- Cosmetology: 0.3 FTE and \$16,564 for additional part-time inspectors, \$74,000 for new computer system shared with Barbers
- Accountancy: \$27,496 for rent and utility increases, \$10,000 for computer system improvement, \$22,600 inflation and usage increases
- Athletic: \$13,000 for director contract
- Abstracters: \$7,356 for inflationary increases being experienced

Banking (pg. 58)

- Banking charters, licenses, and regulates State banks (39 state-chartered banks with \$25.3 billion in assets) along with Trust companies (117 state-chartered trust companies with \$666.4 billion in assets).

Banking Budget Changes

- Increases of 3.0 FTE and \$329,099 in other fund expenditure authority for 2 trust examiners and 1 policy/data analyst
- Increase of \$368,440 in other fund expenditure authority for rent and utility increases
- Increase of \$646,640 in other fund expenditure authority for examiner compensation (\$318,268 in FY25)
- Increase of \$19,622 in other fund expenditure authority for insurance premium increases

Trust Captive Insurance Company (pg. 64)

- Trust Company Receivership and Liquidation Captive Insurance Company insures the Banking division for the risk of the division taking receivership of a failed trust company chartered in South Dakota.
- \$53,200 other fund expenditure authority increase due to increase in insurance premiums

Insurance (pg. 67)

- Insurance division regulates the Insurance and Securities industries, including:
 - Health
 - Property/Casualty
 - Life
- Also collects the insurance company premium tax and securities registration
- No recommended budget changes

Employee Metrics

FY24 Turnover: 10.25%

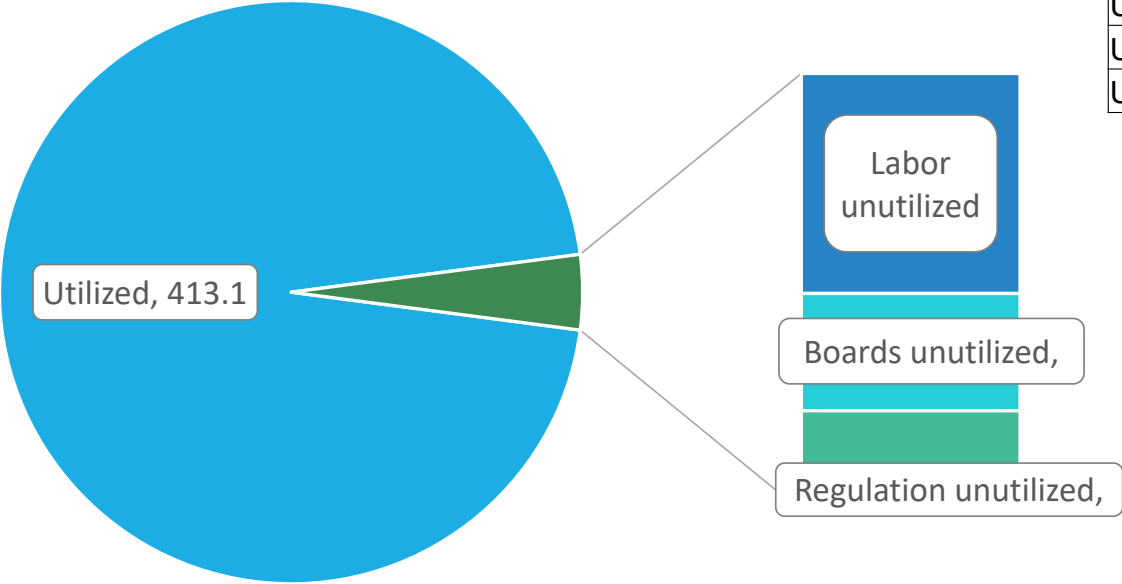
FY24 Overtime as % of total hours: 0.002%

Positions over 180 days vacant: 1

Employees Nearing Retirement:

- Today: 13.3%
- 5 Years: 22.9%
- 10 Years: 34.0%

DLR FY24 Budgeted FTE Utilization



	FY2023	FY2024
Utilized FTE	419.6	413.1
Unutilized FTE Labor Programs	9.9	9.0
Unutilized FTE Regulation Programs	4.7	4.1
Unutilized FTE Boards & Commissions	3.8	4.8

Optimize DLR Lean Outcomes

Job Service

- Service delivery teams, combined funding sources, support for current programs

Reemployment Assistance

- Claimant handbook, fact-finding form, cross-matching, scanning

Banking

- Processes, work papers, and reports related to examinations

Boards and Commissions

- Elimination of paper
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A Look Back at 2024...

- Department of Corrections Training Opportunities
- Teacher Registered Apprenticeship
- Hiring Events
- DLR Performance Metrics [Report](#) (page 49)

Short-term Outlook

- Implementation of national workforce legislation
- Focus on virtual service enhancements
- Continued limited increases in federal funds
 - More one-time competitive grants to address specific issues
- Continued growth in the Trust and Insurance industries
- Growth in apprenticeable occupations (as an alternative to traditional post-secondary education pathways)

Long-term Outlook

- Funding levels will require need for targeted service populations
 - Virtual services will become more of the norm
 - Efficiencies will increase necessity of strong partnerships
 - Demand for workers will not decrease; skills required will evolve
 - DLR will face staffing challenges as individuals reach retirement age
 - DLR will remain engaged with national organizations as thought-leaders
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