

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	57.00	57.00	50.40	50.40	57.00	50.40	(6.60)	(11.58)%
Personal Services	3,442,061	3,966,734	3,806,361	3,808,301	7,408,795	7,614,662	205,867	2.78 %
Operating Expenses	880,313	2,368,792	1,202,031	1,305,233	3,249,105	2,507,264	(741,841)	(22.83)%
Equipment & Intangible Assets	0	5,810	5,109	5,109	5,810	10,218	4,408	75.87 %
Benefits & Claims	813,624	10,004,758	5,041,580	(18,133)	10,818,382	5,023,447	(5,794,935)	(53.57)%
Total Costs	\$5,135,998	\$16,346,094	\$10,055,081	\$5,100,510	\$21,482,092	\$15,155,591	(\$6,326,501)	(29.45)%
General Fund	0	6,763,375	4,500,000	0	6,763,375	4,500,000	(2,263,375)	(33.47)%
State/Other Special Rev. Funds	5,135,998	9,582,719	5,555,081	5,100,510	14,718,717	10,655,591	(4,063,126)	(27.61)%
Federal Spec. Rev. Funds	0	0	0	0	0	0	0	0.00 %
Total Funds	\$5,135,998	\$16,346,094	\$10,055,081	\$5,100,510	\$21,482,092	\$15,155,591	(\$6,326,501)	(29.45)%

Program Description

The Insurance Division regulates the insurance industry in Montana. The Policyholder Services Unit is responsible for resolving insurance consumer inquiries and complaints involving agents, coverage, and companies. The Examinations Bureau is responsible for monitoring the financial solvency of insurance companies, collecting premium taxes and company fees, and auditing insurance company annual statements. Also housed in this bureau is the captive insurance program, which promotes Montana as a captive domicile and regulates captive insurers in the state. The Rates Bureau and the Forms Bureau are responsible for reviewing rate and form filings, respectively, to ensure compliance with the applicable insurance code. The Licensing Bureau is responsible for licensing and providing continuing education to insurance agents, agencies, and adjusters. The Legal Bureau, which serves both the Insurance and Securities Divisions, provides legal support to the divisions. The Investigations Bureau, which is under the Legal Bureau, investigates code and rule violations, including possible criminal violations, and recommends referral of cases to county attorneys for prosecution. The Insure Montana program, which ends January 1, 2016, administers the Small Business Health Insurance Purchasing Pool and Tax Credit programs.

Program Highlights

Insurance Division Major Budget Highlights
<ul style="list-style-type: none"> • The 2017 biennium appropriation is \$17.9 million lower than the 2015 biennium appropriation • FY 2015 includes a \$10.0 million one-time appropriation and if it is removed, the 2017 biennium appropriation is a net \$3.7 million higher than the 2015 biennium due to: <ul style="list-style-type: none"> ◦ An increase to continue the Insure Montana program for the remainder the first half of FY 2016 - \$4.5 million general fund ◦ Reductions including removing the cost of implementing the 2015 biennium pay plan, and anticipating fewer insurance company compliance reviews in the 2017 biennium • The State Auditor submitted two elected official budget requests that were approved by the legislature: <ul style="list-style-type: none"> ◦ Contracted health insurance rate review - \$300,000 ◦ 0.50 FTE for statistical analysis - \$60,000 • FTE changes netted to a 6.60 reduction as a result of: <ul style="list-style-type: none"> ◦ Funding a new 0.50 statistical aide ◦ Funding a new 1.00 FTE to help administer the captive insurance industry ◦ Removing 5.00 FTE funded from a one-time appropriation that were inadvertently included in the executive budget ◦ Removing 3.10 FTE to comply with legislative intent to align the number of FTE with funding reductions taken for vacancy savings by the 2013 Legislature

Program Narrative

The 2017 biennium legislative appropriation for the Insurance program is \$17.9 million lower than the FY 2015 biennium appropriation. The difference is largely due to appropriations for the Insure Montana program, which funds premium assistance and tax credit programs for small employers that provide health insurance for their employees. Full funding for the program is included in FY 2015, while the legislature approved \$4.5 million general fund to continue the Insure Montana program until December 31, 2015 or one-half of FY 2016.

Personal services funding in the 2017 biennium is higher than the 2015 biennium, while other appropriations are lower. Personal services increases due to:

- Annualizing the cost of health insurance increases implemented in the second half of FY 2015
- Approving various adjustments for statutorily required pay changes and other adjustments implemented by the agency in FY 2014
- Approval to fund 1.50 new FTE including 1.00 FTE to help administer the captive insurance program and a 0.50 statistical aide FTE to assist in insurance rate review

Personal services increases are partially offset by a reduction due to the reorganization that moved appropriation authority to the Central Management Division. 2017 biennium operating costs are lower primarily due to reduced funding for market conduct and financial examination of insurance firms, which fully offsets the \$150,000 annual appropriation for contracted services assistance in insurance rate review.

As noted previously, the Insure Montana program ends in mid FY 2016. In addition, funding for the Montana Comprehensive Health Association (MCHA) will terminate in FY 2017. The MCHA is the state high risk pool that provided health insurance to persons who were unable to obtain insurance in the private market, due primarily to pre existing medical conditions. The Affordable Care Act requires insurers to provide health insurance regardless of a person's health status therefore the state high risk pool was discontinued. The discontinuation of these two programs lowers benefits and claims by \$5.8 million.

Funding

The following table shows program funding by source from all sources of authority.

State Auditor's Office, 03-Insurance Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	4,500,000	0	0	4,500,000	29.69 %	
02235 Insurance Fee Account	10,183,542	0	0	10,183,542	95.57 %	
02283 Securities Fee Account	11,927	0	0	11,927	0.11 %	
02528 Captive Account	53,310	0	0	53,310	0.50 %	
02769 Health Insurance Premium Assistance	0	0	0	0	0.00 %	
02770 Health Insurance Tax Credits	0	0	0	0	0.00 %	
02789 6901-CHIP/MCHA Tobacco Sett Fd	406,812	0	0	406,812	3.82 %	
State Special Total	\$10,655,591	\$0	\$0	\$10,655,591	70.31 %	
03502 Buyer's Guide	0	0	0	0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$15,155,591	\$0	\$0	\$15,155,591		

The Insurance Division is funded with state special revenue. The following sources support these functions:

- Insurance licensure fees, examination fees, and penalties, which fund program functions related to insurance regulation
- Tobacco settlement revenues, which support premium subsidies for the state high risk insurance pool through the Montana Comprehensive Health Association (MCHA), which terminates in FY 2017

Montana Comprehensive Health Association

The Montana legislature created the MCHA in 1985 to provide access to health insurance benefits to Montana residents who were otherwise considered uninsurable due to medical conditions. MCHA operations are funded through the premiums paid by those insured in the program and through assessments on all disability (accident and health) benefit policies written in the state of Montana. MCHA also receives an allocation from the tobacco settlement revenue with expenditures of about \$0.8 million in FY 2014. The statute that allocates tobacco settlement revenue includes both MCHA and Healthy Montana Kids as allowable uses of the funds. The legislature ceased funding for MCHA beginning in FY 2017.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Summary by Category									
Budget Item	-----General Fund-----				-----Total Funds-----				
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	
2015 Budget	0	0	0	0.00 %	6,375,278	6,375,278	12,750,556	84.13 %	
PL Adjustments	0	0	0	0.00 %	(925,359)	(1,379,729)	(2,305,088)	(15.21)%	
New Proposals	4,500,000	0	4,500,000	100.00 %	4,605,162	104,961	4,710,123	31.08 %	
Total Budget	\$4,500,000	\$0	\$4,500,000		\$10,055,081	\$5,100,510	\$15,155,591		

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments											
	-----Fiscal 2016-----					-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 515 - State Share Health Insurance	0.00	0	26,195	0	26,195	0.00	0	26,195	0	26,195	
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	0	73,250	0	73,250	0.00	0	73,250	0	73,250	
DP 525 - Fixed Cost Adjustment	0.00	0	27,198	0	27,198	0.00	0	26,393	0	26,393	
DP 527 - Inflation/Deflation Adjustment	0.00	0	(33,108)	0	(33,108)	0.00	0	(32,839)	0	(32,839)	
DP 300444 - Statewide 4% FTE Reduction - Program 3	(3.10)	0	0	0	0	(3.10)	0	0	0	0	
DP 303002 - Reorganization	0.00	0	(278,006)	0	(278,006)	0.00	0	(278,006)	0	(278,006)	
DP 303003 - Biennial Financial Exams	0.00	0	(479,946)	0	(479,946)	0.00	0	(500,981)	0	(500,981)	
DP 303004 - Pay Equalization Increases	0.00	0	5,975	0	5,975	0.00	0	5,952	0	5,952	
DP 303005 - Other Market Increases (Staff Below 80%)	0.00	0	53,474	0	53,474	0.00	0	53,270	0	53,270	
DP 303006 - Classified Staff Strategic and Performance Pay	0.00	0	21,108	0	21,108	0.00	0	21,027	0	21,027	
DP 303007 - Longevity and Other Adjustments	0.00	0	1,510	0	1,510	0.00	0	13,770	0	13,770	
DP 303008 - Building Rent	0.00	0	16,616	0	16,616	0.00	0	17,432	0	17,432	
DP 303009 - MCHA Expiration	0.00	0	(536,884)	0	(536,884)	0.00	0	(943,696)	0	(943,696)	
DP 303010 - Rate Review Contract (Restricted)	0.00	0	150,000	0	150,000	0.00	0	150,000	0	150,000	
DP 303011 - Other Personal Services Changes	0.00	0	(1,685)	0	(1,685)	0.00	0	(11,496)	0	(11,496)	
Grand Total All Present Law Adjustments	(3.10)	\$0	(\$954,303)	\$0	(\$954,303)	(3.10)	\$0	(\$1,379,729)	\$0	(\$1,379,729)	

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

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Cost Adjustment -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation Adjustment -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 300444 - Statewide 4% FTE Reduction - Program 3 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 300444 includes a reduction of 3.10 FTE each year.

DP 303002 - Reorganization -

The legislature moved funding among programs in the State Auditor's Office to align ongoing appropriations with program transfers implemented in FY 2014.

DP 303003 - Biennial Financial Exams -

The legislature lowered appropriations to account for the difference between the FY 2015 appropriation and the State Auditor's request for each year of the 2017 biennium for contracted services for examination of insurance firms.

DP 303004 - Pay Equalization Increases -

The legislature approved funds for pay equalization changes implemented by the State Auditor's Office in FY 2014.

DP 303005 - Other Market Increases (Staff Below 80%) -

The legislature approved funding for pay changes to increase salaries of FTE that were below 80% of the market salary.

DP 303006 - Classified Staff Strategic and Performance Pay -

The legislature added funds to pay for strategic and performance pay implemented by the State Auditor in FY 2014.

DP 303007 - Longevity and Other Adjustments -

The legislature adopted personal service adjustments for unemployment insurance, workers' compensation rates, longevity, retirement, and health benefits.

DP 303008 - Building Rent -

The legislature added funds to lease additional office space within the existing building location.

DP 303009 - MCHA Expiration -

The legislature removed funds to account for the expiration of the Montana Comprehensive Health Association, as defined in statute. The MCHA was the high risk pool for the state. Since insurance policies can no longer be denied based on preexisting health conditions, the MCHA was no longer necessary.

DP 303010 - Rate Review Contract (Restricted) -

The legislature added \$150,000 annually for contracted services for insurance rate review. The appropriation is restricted for that use.

DP 303011 - Other Personal Services Changes -

The legislature adopted changes to align present law personal services with the FY 2015 legislative appropriation.

New Proposals

The "New Proposals" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 303001 - Insure Montana OTO	(5.00)	4,500,000	0	0	4,500,000	(5.00)	0	0	0	0
DP 303012 - Captive Insurance FTE	1.00	0	75,135	0	75,135	1.00	0	74,934	0	74,934
DP 303013 - Statistical Aide	0.50	0	30,027	0	30,027	0.50	0	30,027	0	30,027
Total	(3.50)	\$4,500,000	\$105,162	\$0	\$4,605,162	(3.50)	\$0	\$104,961	\$0	\$104,961

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

DP 303001 - Insure Montana OTO -

The legislature added \$4.5 million general fund to continue the Insure Montana program through December 31, 2015, which allows funding to continue through calendar year 2015. Since most health policies held by Insure Montana program participants expire at the end of a calendar year, this funding will provide a full year of support and allow program participants to plan to obtain insurance in other venues. The program was supported from a one-time appropriation in the 2015 biennium.

DP 303012 - Captive Insurance FTE -

The legislature approved permanent funding for an additional 1.00 FTE for the captive insurance program. The FTE was funded from a one-time appropriation in the 2015 biennium.

DP 303013 - Statistical Aide -

The legislature approved a request to fund a 0.50 statistical aide.