

Agency Budget Comparison

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

Agency 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	85.80	85.80	87.80	87.80	85.80	87.80	2.00	2.33%
Personal Services	5,163,890	5,228,420	5,814,197	5,788,266	10,392,310	11,602,463	1,210,153	11.64%
Operating Expenses	2,452,750	2,256,566	3,583,604	3,333,398	4,709,316	6,917,002	2,207,686	46.88%
Equipment & Intangible Assets	8,695	13,751	8,695	8,695	22,446	17,390	(5,056)	(22.53%)
Benefits & Claims	10,448,099	10,678,166	10,004,758	10,004,758	21,126,265	20,009,516	(1,116,749)	(5.29%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$18,073,434	\$18,176,903	\$19,411,254	\$19,135,117	\$36,250,337	\$38,546,371	\$2,296,034	6.33%
General Fund	0	0	1,646,660	6,763,375	0	8,410,035	8,410,035	n/a
State Special	18,073,434	18,176,903	17,764,594	12,371,742	36,250,337	30,136,336	(6,114,001)	(16.87%)
Federal Special	0	0	0	0	0	0	0	n/a
Total Funds	\$18,073,434	\$18,176,903	\$19,411,254	\$19,135,117	\$36,250,337	\$38,546,371	\$2,296,034	6.33%

Page Reference

Legislative Budget Analysis, A-59

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg - Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	85.80	83.80	87.80	4.00	79.80	87.80	8.00	
Personal Services	5,163,890	5,414,590	5,814,197	399,607	5,214,565	5,788,266	573,701	973,308
Operating Expenses	2,452,750	3,504,568	3,583,604	79,036	3,628,028	3,333,398	(294,630)	(215,594)
Equipment & Intangible Assets	8,695	7,994	8,695	701	7,994	8,695	701	1,402
Benefits & Claims	10,448,099	5,686,832	10,004,758	4,317,926	925,563	10,004,758	9,079,195	13,397,121
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$18,073,434	\$14,613,984	\$19,411,254	\$4,797,270	\$9,776,150	\$19,135,117	\$9,358,967	\$14,156,237
General Fund	0	0	1,646,660	1,646,660	0	6,763,375	6,763,375	8,410,035
State/Other Special	18,073,434	14,613,984	17,764,594	3,150,610	9,776,150	12,371,742	2,595,592	5,746,202
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$18,073,434	\$14,613,984	\$19,411,254	\$4,797,270	\$9,776,150	\$19,135,117	\$9,358,967	\$14,156,237

The 2015 biennium legislative appropriation is \$14.2 million higher, including funding for 8.00 FTE in FY 2015, than the executive budget request primarily due to approval for one-time appropriations to continue funding for the Insure Montana program through the 2015 biennium. The executive budget removed funding for the program effective January 1, 2014. Other changes net to very little difference between the executive request and legislative appropriation.

Historically the Insure Montana program has been funded from tobacco tax state special revenue deposited in the health and Medicaid initiatives account. However, the ongoing appropriations from the account exceed ongoing revenues. In addition, implementation of the Patient Protection and Affordable Care Act (ACA) potentially will impact the Insure Montana program. Therefore, the legislature opted to continue funding for Insure Montana for another biennium.

Agency Highlights

State Auditor's Office Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The 2015 biennium appropriation for the State Auditor's Office is \$2.3 million and 2.00 FTE higher than the 2013 biennium budget due to: ◆ \$0.7 million to upgrade and maintain information technology systems ◆ \$0.7 million for increased costs and anticipated workloads to examine both insurance companies and securities firms ◆ \$0.3 million for market pay adjustments in the 2015 biennium ◆ \$0.3 million for continuation of 1.00 FTE funded from a one-time appropriation in the 2013 biennium and for 1.00 new information technology FTE ◆ The one-time \$8.4 million general fund appropriation provides about 40% of the funds needed to continue the Insure Montana program through the 2015 biennium ◆ Total cost increases are partially offset by \$0.9 million in reductions to the Insure Montana program 	

Agency Discussion

The legislative 2015 biennium appropriation is \$2.3 million higher than the 2013 biennium largely due to a combination of approval of requests from the Commissioner of Securities and Insurance (CSI) and some offsetting reductions in present law proposals. The most significant changes approved by the legislature are listed in the Major Budget Highlights table.

Funding

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total State Auditor's Office Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$8,410,035	\$0	\$58,177,683	\$66,587,718	68.8%
State Special Total	30,136,336	-	27,500	30,163,836	31.2%
Federal Special Total	-	-	-	-	0.0%
Proprietary Total	-	-	-	-	0.0%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	<u>\$38,546,371</u>	<u>\$0</u>	<u>\$58,205,183</u>	<u>\$96,751,554</u>	
Percent - Total All Sources	39.8%	0.0%	60.2%		

The State Auditor's Office is funded from general fund and state special revenue. General fund is appropriated to continue funding for the Insure Montana program for the 2015 biennium.

State special revenue sources are:

- Fees paid by insurance companies and security firms for insurance and security oversight
- Tobacco tax revenues for Insure Montana
- Tobacco settlement funds the state high risk pool (Montana Comprehensive Health Association)

Some of the fee revenue collected by the office is transferred to the general fund via a statutory appropriation, while revenue remaining in selected state special revenue accounts is transferred to the general fund at fiscal yearend.

The SAO received some federal grant funds that are not ongoing in the 2015 biennium.

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	0	0	0	0.00%	18,073,434	18,073,434	36,146,868	93.78%
Statewide PL Adjustments	0	0	0	0.00%	417,122	382,547	799,669	2.07%
Other PL Adjustments	0	0	0	0.00%	774,641	787,128	1,561,769	4.05%
New Proposals	1,646,660	6,763,375	8,410,035	100.00%	146,057	(107,992)	38,065	0.10%
Total Budget	\$1,646,660	\$6,763,375	\$8,410,035		\$19,411,254	\$19,135,117	\$38,546,371	

The majority of the legislative budget supports continuation of present law services. New proposals, including the addition of general fund to continue the Insure Montana program, contribute under 1% of the total 2015 biennium budget.

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	16.80	16.80	17.80	17.80	16.80	17.80	1.00	5.95%
Personal Services	1,002,552	1,013,391	1,106,925	1,106,918	2,015,943	2,213,843	197,900	9.82%
Operating Expenses	213,439	204,282	750,285	492,710	417,721	1,242,995	825,274	197.57%
Equipment & Intangible Assets	1,683	2,800	1,683	1,683	4,483	3,366	(1,117)	(24.92%)
Total Costs	\$1,217,674	\$1,220,473	\$1,858,893	\$1,601,311	\$2,438,147	\$3,460,204	\$1,022,057	41.92%
State Special	1,217,674	1,220,473	1,858,893	1,601,311	2,438,147	3,460,204	1,022,057	41.92%
Total Funds	\$1,217,674	\$1,220,473	\$1,858,893	\$1,601,311	\$2,438,147	\$3,460,204	\$1,022,057	41.92%

Page Reference

Legislative Budget Analysis, A-64

Funding

The Central Management function is funded entirely by state special revenue from fees paid by insurance companies and security firms.

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	0	0	0	0.00%	1,217,674	1,217,674	2,435,348	70.38%
Statewide PL Adjustments	0	0	0	0.00%	125,992	118,186	244,178	7.06%
Other PL Adjustments	0	0	0	0.00%	33,915	38,188	72,103	2.08%
New Proposals	0	0	0	0.00%	481,312	227,263	708,575	20.48%
Total Budget	\$0	\$0	\$0		\$1,858,893	\$1,601,311	\$3,460,204	

The majority of the 2015 biennium appropriation funds continuation of present law services. New proposals fund budget increases requested by the Office of the State Auditor for information technology (IT) systems replacement, an IT manager FTE, and pay adjustments implemented in FY 2013 to move most positions to 85% of the market midpoint.

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					153,554					153,853
Vacancy Savings					(41,808)					(41,818)
Inflation/Deflation					4					56
Fixed Costs					14,242					6,095
Total Statewide Present Law Adjustments		\$0	\$125,992	\$0	\$125,992		\$0	\$118,186	\$0	\$118,186
DP 50 - Initial Motion to FY 2012 Base	0.00	0	(125,992)	0	(125,992)	0.00	0	(118,186)	0	(118,186)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	111,746	0	111,746	0.00	0	112,035	0	112,035
DP 52 - Adjustment for Statewide Operations	0.00	0	14,246	0	14,246	0.00	0	6,151	0	6,151
DP 1001 - Rent	0.00	0	0	0	0	0.00	0	4,273	0	4,273
DP 1004 - Elected Official Continuing Ed Central Management	0.00	0	33,915	0	33,915	0.00	0	33,915	0	33,915
Total Other Present Law Adjustments	0.00	\$0	\$33,915	\$0	\$33,915	0.00	\$0	\$38,188	\$0	\$38,188
Grand Total All Present Law Adjustments	0.00	\$0	\$159,907	\$0	\$159,907	0.00	\$0	\$156,374	\$0	\$156,374

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 Joint Appropriations Subcommittee.

DP 1001 - Rent - This adjustment adds state special revenue for increased office rent. The current lease does not include inflationary adjustments for rent. When the lease expires the agency anticipates a 5% increase on January 2015 for the last half of FY 2015.

DP 1004 - Elected Official Continuing Ed Central Management - The legislature approved the CSI request for an appropriation to fund continuing education for employees. The appropriation is restricted and one-time only.

New Proposals

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 54 - Additional Vacancy Savings	01	0.00	0	(110,069)	0	(110,069)	0.00	0	(110,218)	0	(110,218)
DP 1005 - Elected Official - IT Systems Replacement	01	0.00	0	490,646	0	490,646	0.00	0	236,746	0	236,746
DP 1006 - Elected Official - Market Adjustments	01	0.00	0	8,735	0	8,735	0.00	0	8,735	0	8,735
DP 1010 - Elected Official - IT Manager	01	1.00	0	92,000	0	92,000	1.00	0	92,000	0	92,000
Total		1.00	\$0	\$481,312	\$0	\$481,312	1.00	\$0	\$227,263	\$0	\$227,263

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 1005 - Elected Official - IT Systems Replacement - The legislature approved the CSI request for funds to replace the central application and scanning systems used to support insurance and securities regulation. The funding supports replacement of equipment and implementation of new software. The appropriation includes both ongoing and one-time costs. The ongoing portion of the appropriation is about \$237,000 annually.

DP 1006 - Elected Official - Market Adjustments - The legislature approved funding for pay adjustments implemented in FY 2013 by the State Auditor to bring most staff up to 85% of the market midpoint. The adjustments are funded from a combination of insurance and security fee state special revenue.

DP 1010 - Elected Official - IT Manager - The legislature approved the State Auditor's request for funding for an information technology manager. The position is funded from state special revenue from insurance and securities fees.

Language and Statutory Authority

The legislature proposes the following language for inclusion in HB 2.

"Central Management includes a reduction in state special revenue of \$110,069 in fiscal year 2014 and \$110,218 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."

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	58.00	58.00	58.00	58.00	58.00	58.00	0.00	0.00%
Personal Services	3,542,103	3,528,621	3,852,295	3,826,496	7,070,724	7,678,791	608,067	8.60%
Operating Expenses	2,032,708	1,786,288	2,551,587	2,561,539	3,818,996	5,113,126	1,294,130	33.89%
Equipment & Intangible Assets	5,810	9,057	5,810	5,810	14,867	11,620	(3,247)	(21.84%)
Benefits & Claims	10,448,099	10,678,166	10,004,758	10,004,758	21,126,265	20,009,516	(1,116,749)	(5.29%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$16,028,720	\$16,002,132	\$16,414,450	\$16,398,603	\$32,030,852	\$32,813,053	\$782,201	2.44%
General Fund	0	0	1,646,660	6,763,375	0	8,410,035	8,410,035	n/a
State Special	16,028,720	16,002,132	14,767,790	9,635,228	32,030,852	24,403,018	(7,627,834)	(23.81%)
Federal Special	0	0	0	0	0	0	0	n/a
Total Funds	\$16,028,720	\$16,002,132	\$16,414,450	\$16,398,603	\$32,030,852	\$32,813,053	\$782,201	2.44%

Page Reference

Legislative Budget Analysis, A-67

Funding

The Insurance Division is funded with primarily with state special revenue. A one-time appropriation of \$8.2 million general fund supports continuation of the Insure Montana program through the end of the 2015 biennium.

State special revenue sources support the following functions:

- Insurance licensure fees, examination fees, and penalties, which fund program functions related to insurance regulation, including a one-time \$6 million appropriation to continue the Insure Montana program through FY 2015
- Health and Medicaid initiatives (tobacco taxes), which fund the Insure Montana program
- Tobacco settlement revenues, which support premium subsidies for the state high risk insurance pool through the Montana Comprehensive Health Association (MCHA)

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 - about \$925,000 in FY 2012.

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	0	0	0	0.00%	16,028,720	16,028,720	32,057,440	97.70%
Statewide PL Adjustments	0	0	0	0.00%	150,102	128,948	279,050	0.85%
Other PL Adjustments	0	0	0	0.00%	583,615	588,922	1,172,537	3.57%
New Proposals	1,646,660	6,763,375	8,410,035	100.00%	(347,987)	(347,987)	(695,974)	(2.12%)
Total Budget	\$1,646,660	\$6,763,375	\$8,410,035		\$16,414,450	\$16,398,603	\$32,813,053	

The Governor’s budget reduces the Insurance Division including a new proposal to eliminate funding for the Insure Montana program, reducing spending by \$15.3 million. Present law adjustments are more than offset by the reduction.

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					245,798					252,827
Vacancy Savings					(151,513)					(151,801)
Inflation/Deflation					985					2,210
Fixed Costs					54,832					25,712
Total Statewide Present Law Adjustments		\$0	\$150,102	\$0	\$150,102		\$0	\$128,948	\$0	\$128,948
DP 50 - Initial Motion to FY 2012 Base	0.00	0	(150,102)	0	(150,102)	0.00	0	(128,948)	0	(128,948)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	94,285	0	94,285	0.00	0	101,026	0	101,026
DP 52 - Adjustment for Statewide Operations	0.00	0	55,817	0	55,817	0.00	0	27,922	0	27,922
DP 3004 - Actuarial Review	0.00	0	75,000	0	75,000	0.00	0	75,000	0	75,000
DP 3005 - Traditional Insurance In-House Exams (RST/OTO)	0.00	0	10,185	0	10,185	0.00	0	10,185	0	10,185
DP 3006 - Elected Official - Captive Insurance FTE (OTO)	0.00	0	64,736	0	64,736	0.00	0	60,091	0	60,091
DP 3007 - In-House Captives Insurance Exams	0.00	0	16,890	0	16,890	0.00	0	16,890	0	16,890
DP 3008 - Captive Regulatory and Supervision (RST/OTO)	0.00	0	85,000	0	85,000	0.00	0	95,000	0	95,000
DP 3009 - Biennial Financial Exams (BIENNIAL/RST/OTO)	0.00	0	186,604	0	186,604	0.00	0	186,604	0	186,604
DP 3010 - Elected Official-Cont. Ed Market Conduct (RST/OTO)	0.00	0	18,800	0	18,800	0.00	0	11,900	0	11,900
DP 3011 - In-house Market Conduct Exams (RST/OTO)	0.00	0	26,400	0	26,400	0.00	0	18,500	0	18,500
DP 3012 - Biennial Market Conduct Exams (BIENNIAL/RST/OTO)	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
DP 3013 - Rent	0.00	0	0	0	0	0.00	0	14,752	0	14,752
Total Other Present Law Adjustments	0.00	\$0	\$583,615	\$0	\$583,615	0.00	\$0	\$588,922	\$0	\$588,922
Grand Total All Present Law Adjustments	0.00	\$0	\$733,717	\$0	\$733,717	0.00	\$0	\$717,870	\$0	\$717,870

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 Joint Appropriations Subcommittee.

DP 3004 - Actuarial Review - This appropriation funds the requirements of HB 334 passed by the 2011 Legislature, which requires the financial and compliance audit and rate review of the State Fund. The CSI must report any concerns or recommendations based on the review to the Governor, the Legislative Audit Committee, and the Economic Affairs

Interim Committee (EAIC).

This is a new responsibility, but the legislature did not allocate any additional funds or FTE for the actuarial review of the rates and reserves. The agency currently employs one full time property and casualty actuary, but due to the position's heavy workload, the CSI actuary is unable to conduct the review as required by the law. Estimates obtained for the reviews are about \$75,000 to contract with an independent actuary to review the rates and reserves of the State Fund. For the 2012 report to the EAIC, the CSI contracted with an independent consulting actuary to do the actuarial reviews, but the CSI contractor could only conduct a partial review due to the limited funds available. Base expenditures were \$10,000.

DP 3005 - Traditional Insurance In-House Exams (RST/OTO) - The legislature added insurance license fee state special revenue each fiscal year for insurance examinations by division staff. This funding will support 3 farm mutual exams, which will require 2 examiners. Additionally, for contracted exams it may be necessary for the examiner supervising contract examiners to make periodic field visits.

The appropriation also funds training to ensure examiners are accredited for performing exams. This request supports 3 employees' attendance at the National Association of Insurance Commissioners (NAIC) Financial summit and the Society of Financial Examiners (SOFE) and 1 employee attendance at 3 NAIC national meetings and 2 other NAIC related trainings.

The appropriation is restricted for these uses and was designated as one-time.

DP 3006 - Elected Official - Captive Insurance FTE (OTO) - The legislature approved the CSI's request to fund an FTE for administration of the captive insurance program as a one-time appropriation. The FTE was approved based on projected increase in the number of captive insurance companies in Montana.

DP 3007 - In-House Captives Insurance Exams - The legislature appropriated insurance premium tax state special revenue for examination of captive firms performed by division staff. The cost of the exam is reimbursed by the companies being examined. Base level expenditures totaled \$3,410.

In both FY 2014 and FY 2015, 20 pure captive exams and 4 risk retention group exams would be completed. Each risk retention group exam would require a two week period of travel by an in-house examiner. For the pure exams, funds would support for 5 week long trips out of state and 10 in-state, week long trips.

Captive insurance companies (captives) are insurance companies formed and wholly owned by the businesses, associations, and groups that they insure. Captives are formed as risk management tools and as alternatives to the traditional insurance market. Captive insurers domiciled in Montana provide insurance to rural hospitals, nursing homes, doctors, commercial trucking companies, contractors, and others. The legislature passed enacting legislation in 2001.

DP 3008 - Captive Regulatory and Supervision (RST/OTO) - This appropriation funds promotion and administration of the captive insurance industry. This program is funded with 5% of the premium tax and all fees and assessments received by the Commissioner. The appropriation is restricted and one-time only.

DP 3009 - Biennial Financial Exams (BIENNIAL/RST/OTO) - The legislature approved a biennial, restricted, one-time appropriation for examination of insurance companies. These expenditures are reimbursed by the companies examined.

According to MCA 33-1-401, "The commissioner shall examine the affairs, transactions, accounts, records, and assets of each authorized insurer as often as the commissioner considers advisable. The commissioner shall examine each authorized insurer not less frequently than every 5 years."

DP 3010 - Elected Official-Cont. Ed Market Conduct (RST/OTO) – The legislature approved the CSI request for an appropriation to fund continuing education for employees who perform market conduct examinations of insurance companies. The appropriation is restricted and one-time only.

DP 3011 - In-house Market Conduct Exams (RST/OTO) - In accordance with 33-1-401, MCA, "The commissioner shall examine the affairs, transactions, accounts, records, and assets of each authorized insurer as often as the commissioner considers advisable. The commissioner shall examine each authorized insurer not less frequently than every 5 years." The legislature approved a restricted, one-time appropriation for increased costs of in-house expenses related to market conduct exams during the 2015 biennium.

DP 3012 - Biennial Market Conduct Exams (BIENNIAL/RST/OTO) – The legislature appropriated insurance fee state special revenue for contracted services to perform insurance company market conduct examinations. The cost of the exam is billed to the companies being examined. This adjustment funds anticipated cost increases, is restricted, and authorized for the 2015 biennium only.

DP 3013 - Rent - This adjustment adds state special revenue for increased office rent. The current lease does not include inflationary adjustments for rent. When the lease expires the agency anticipates a 5% increase on January 2015 for the last half of FY 2015.

New Proposals

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3016 - Elected Official Market Adjustment											
03	0.00	0	95,354	0	95,354	0.00	0	95,354	0	95,354	
DP 30140 - Insure Montana Bridge (RST/OTO)											
03	0.00	1,646,660	(2,090,001)	0	(443,341)	0.00	6,763,375	(7,206,716)	0	(443,341)	
Total	0.00	\$1,646,660	(\$1,994,647)	\$0	(\$347,987)	0.00	\$6,763,375	(\$7,111,362)	\$0	(\$347,987)	

DP 3016 - Elected Official Market Adjustment - The legislature approved funding for pay adjustments implemented in FY 2013 by the State Auditor to bring most staff up to 85% of the market midpoint. The adjustments are funded from a combination of insurance and security fee state special revenue.

DP 30140 - Insure Montana Bridge (RST/OTO) - The State Auditor’s Office operates the Insure Montana program, which offers health insurance premium subsidies and tax credits to employers offering health insurance to employees. This adjustment removes Insure Montana from the base budget and funds it as a one-time-only, restricted, biennial appropriation from three sources:

- o \$8,410,035 general fund
- o \$6,000,000 insurance fee state special revenue
- o \$5,120,473 state special revenue from tobacco taxes allocated to the health and Medicaid Initiatives account

The net impact of the new proposal lowers the existing appropriation for the program by \$433,341 each year. The appropriation amount is based on the assumption that HB 48 passes. HB 48 changes the eligibility for premium assistance to consideration of household income rather than employee salary and would limit premium assistance to households earning no more than 400% of the federal poverty level (about \$92,000 for a family of 4 in 2012).

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	11.00	11.00	12.00	12.00	11.00	12.00	1.00	9.09%
Personal Services	619,235	686,408	854,977	854,852	1,305,643	1,709,829	404,186	30.96%
Operating Expenses	206,603	265,996	281,732	279,149	472,599	560,881	88,282	18.68%
Equipment & Intangible Assets	1,202	1,894	1,202	1,202	3,096	2,404	(692)	(22.35%)
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$827,040	\$954,298	\$1,137,911	\$1,135,203	\$1,781,338	\$2,273,114	\$491,776	27.61%
State Special	827,040	954,298	1,137,911	1,135,203	1,781,338	2,273,114	491,776	27.61%
Total Funds	\$827,040	\$954,298	\$1,137,911	\$1,135,203	\$1,781,338	\$2,273,114	\$491,776	27.61%

Page Reference

Legislative Budget Analysis, A-77

Funding

The Securities Division is funded entirely from state special revenue derived from charges to the securities industry for:

- Filing portfolio notices
- Examining issuers, broker-dealers, or investment advisers as part of registration

Other fees related to the securities industry and collected by the SOA, such as registration of securities, are deposited to the general fund. Excess revenue in the state special revenue account that funds program administration is transferred to the general fund at fiscal yearend.

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	0	0	0	0.00%	827,040	827,040	1,654,080	72.77%
Statewide PL Adjustments	0	0	0	0.00%	141,028	135,413	276,441	12.16%
Other PL Adjustments	0	0	0	0.00%	157,111	160,018	317,129	13.95%
New Proposals	0	0	0	0.00%	12,732	12,732	25,464	1.12%
Total Budget	\$0	\$0	\$0		\$1,137,911	\$1,135,203	\$2,273,114	

The majority of the 2015 biennium budget request supports continuation of current level services.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted 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					162,152					162,175
Vacancy Savings					(31,253)					(31,256)
Inflation/Deflation					38					220
Fixed Costs					10,091					4,274
Total Statewide Present Law Adjustments		\$0	\$141,028	\$0	\$141,028		\$0	\$135,413	\$0	\$135,413
DP 50 - Initial Motion to FY 2012 Base	0.00	0	(141,028)	0	(141,028)	0.00	0	(135,413)	0	(135,413)
DP 51 - Adjustment for Statewide Personal Services	0.00	0	130,899	0	130,899	0.00	0	130,919	0	130,919
DP 52 - Adjustment for Statewide Operations	0.00	0	10,129	0	10,129	0.00	0	4,494	0	4,494
DP 4002 - Biennial Contract Exams (BIENNIAL/RST)	0.00	0	65,000	0	65,000	0.00	0	65,000	0	65,000
DP 4003 - Securities Division Legal FTE	1.00	0	92,111	0	92,111	1.00	0	91,966	0	91,966
DP 4004 - Rent	0.00	0	0	0	0	0.00	0	3,052	0	3,052
Total Other Present Law Adjustments	1.00	\$0	\$157,111	\$0	\$157,111	1.00	\$0	\$160,018	\$0	\$160,018
Grand Total All Present Law Adjustments	1.00	\$0	\$298,139	\$0	\$298,139	1.00	\$0	\$295,431	\$0	\$295,431

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 Joint Appropriations Subcommittee.

DP 4002 - Biennial Contract Exams (BIENNIAL/RST) - This adjustment adds \$65,000 each fiscal year to contract for examination of broker-dealer firms, broker-dealer firm branch offices, and investment advisor firms. The costs of these exams are reimbursed by the company being examined.

This funding will support 15 examinations of broker-dealer and investment advisory firms annually. On average, an examination involves about 30 hours of field work and 90 hours of analysis.

DP 4003 - Securities Division Legal FTE - This appropriation funds continuation of a legal FTE supported from a one-time appropriation in the last legislative session. The funding for the FTE was made permanent.

DP 4004 - Rent - This adjustment adds state special revenue for increased office rent. The current lease does not include inflationary adjustments for rent. When the lease expires the agency anticipates a 5% increase on January 2015 for the last half of FY 2015.

New Proposals

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4006 - Elected Official Market Adjustments											
04	0.00	0	12,732	0	12,732	0.00	0	12,732	0	12,732	
Total	0.00	\$0	\$12,732	\$0	\$12,732	0.00	\$0	\$12,732	\$0	\$12,732	

DP 4006 - Elected Official Market Adjustments – The legislature approved funding for pay adjustments implemented in FY 2013 by the State Auditor to bring most staff up to 85% of the market midpoint. The market adjustments are funded from security fee state special revenue.