

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 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	78.50	78.50	84.50	84.50	78.50	84.50	6.00	7.64%
Personal Services	3,840,273	4,453,859	4,923,687	4,958,447	8,294,132	9,882,134	1,588,002	19.15%
Operating Expenses	1,334,922	5,521,177	2,185,674	2,652,995	6,856,099	4,838,669	(2,017,430)	(29.43%)
Benefits & Claims	10,152,855	7,549,814	11,498,655	11,498,655	17,702,669	22,997,310	5,294,641	29.91%
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$15,328,050	\$17,524,850	\$18,608,016	\$19,110,097	\$32,852,900	\$37,718,113	\$4,865,213	14.81%
State Special	15,328,050	17,524,850	18,608,016	19,110,097	32,852,900	37,718,113	4,865,213	14.81%
Other	0	0	0	0	0	0	0	n/a
Total Funds	\$15,328,050	\$17,524,850	\$18,608,016	\$19,110,097	\$32,852,900	\$37,718,113	\$4,865,213	14.81%

Agency Description

Agency Mission: The mission of the State Auditor's Office is to assure compliance with the Montana insurance and securities laws, promote captive insurance formations, administer the Insure Montana program, and assist consumers with complaints involving the securities and insurance industries. In addition, the office strives to keep abreast of regional and national developments in those industries in order to inform state policy makers about needed statutory changes and to answer inquiries.

The Office of the State Auditor is authorized under Article VI of the Montana Constitution. The State Auditor is the ex-officio Commissioner of Insurance and Securities and is responsible for licensing and regulating insurance companies and agents, and registering and regulating securities dealers in the state. The auditor also adopts rules and administers reform for the insurance and securities industries operating in the state. The auditor also serves as a member of the Board of Land Commissioners and the Crop Hail Insurance Board.

The statutory duties of the State Auditor are administered from three divisions: Central Services, Insurance, and Securities. The State Auditor's Office is also a conduit for the Fire and Police Retirement Program, a "pass through" program. The Fire and Police Retirements Program funds are from general insurance (33-2-705, MCA) and fire insurance premium taxes (50-3-109, MCA). Funding for this program is disbursed from the general fund. In FY 2008, \$21.2 million went to the Municipal Police Officers' Retirement System, Firefighters' Unified Retirement System, the Volunteer Fire Fighters' Compensation Act, local fire department relief associations, municipalities with police department trust funds, and local police pension funds for supplemental benefits.

Agency Highlights

State Auditor's Office HB 2 Budget Highlights
<ul style="list-style-type: none"> ◆ The legislature approved a total funding increase of 14.8 percent in the 2011 biennium from the 2009 biennium including \$4.56 million in present law requests in addition to statewide present law ◆ The legislature approved increases in base operational expenditures, rent, and pay plan funding throughout the agency ◆ Legislatively adopted elected official proposals added 2.0 FTE to the Insurance Division and 1.0 FTE to the Securities Division ◆ The legislature approved the transfer of 8.0 FTE and related costs to Central Services from other divisions ◆ An additional 3.0 FTE were added by the legislature for a total of 6.0 FTE ◆ The legislature restored funding for the Insure Montana and MCHA programs to the amount funded in the previous biennium ◆ The passage and approval of HB 258 added \$6.0 million in additional funding to the Insure Montana program

Summary of Legislative Action

The legislature approved a number of present law packages that included increases for rent, relocating expenses, and increased base operating expenses. The legislature also approved several new proposals impacting personal services including increased vacancy savings, allocation of worker's compensation cost management, and HB 13 pay plan implementation.

Decision packages were added in each of the agency's programs that allow a number of FTE and related costs to be transferred to the Central Management Division in order to ensure that expenses are paid from the correct budget as recommended by the Legislative Audit Committee. The movement of these FTE is the primary contributor to the 116.32 percent increase in the biennial budget for the Central Management Division.

The State Auditor included a number of elected official proposals for legislative consideration. Of these, the legislature has adopted proposals for inclusion in HB 2 that add 1.0 FTE each for insurance examinations and the Insure Montana program.

In addition to the FTE the legislature approved from State Auditor's proposals, the legislature also added 3.0 FTE in the Insurance Division and 1.0 FTE in the Securities Division. Of the 3.0 FTE added to the Insurance Division, the legislature authorized the addition of 1.0 FTE, but did not provide funding for the position. Instead, the legislature directed the agency to fund the position from their existing budget as the position was intended to replace contracted services and the contracted services portion of the program's budget was not reduced.

The legislature added funding to return both the Insure Montana and Montana Comprehensive Health Association (MCHA) to the level the programs were funded in the previous biennium.

Funding

The following table summarizes funding for the agency, by program and source. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2011 Biennium Budget			
Agency Program	State Spec.	Grand Total	Total %
01 Central Management	\$ 2,694,150	\$ 2,694,150	7.14%
03 Insurance	32,998,722	32,998,722	87.49%
04 Securities	2,025,241	2,025,241	5.37%
Grand Total	<u>\$ 37,718,113</u>	<u>\$ 37,718,113</u>	<u>100.00%</u>

This agency is funded with both general fund and state special revenue. The general fund is limited to a number of pass-through payments the State Auditor is statutorily required to make. Because these funds are statutorily appropriated, they do not appear in the funding tables. State special revenue is derived from fees imposed on insurance policies written in the state of Montana, licensing, registration and audit fees from individuals and organizations dealing in securities in the state and a portion of the state tobacco tax.

Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	15,328,050	15,328,050	30,656,100	81.28%
Statewide PL Adjustments	0	0	0	0.00%	1,020,811	994,248	2,015,059	5.34%
Other PL Adjustments	0	0	0	0.00%	2,018,500	2,538,444	4,556,944	12.08%
New Proposals	0	0	0	0.00%	240,655	249,355	490,010	1.30%
Total Budget	\$0	\$0	\$0		\$18,608,016	\$19,110,097	\$37,718,113	

Other Legislation

HB 258 – This bill provides a \$6.0 million state special revenue biennial appropriation to the Insurance Division for the expansion of the Insure Montana program. This appropriation is in addition to any other appropriation for the same purpose, including the amount appropriated in House Bill 2.

HB 160 – This bill clarifies the collection of the captive insurance company premium tax, revises the captive insurance company premium tax schedule, and provides a quarterly pro-rated schedule for the minimum tax in the event that a captive insurer that is subject to the minimum tax is licensed for a fraction of the licensing year during their first year of operation. The Office of Budget and Program Planning estimates the financial impact of the pro-ration of the minimum tax to be a reduction of \$7,500 general fund revenue each year.

SB 135 – This bill clarifies a number of terms and descriptions related to schedules, eligibility, plan requirements, and payments of the Insure Montana program. These changes produce a savings to the program due to the disqualification for plan participation of some existing enrollees, but the savings is projected to be absorbed by bringing new applicants into the program under the new terms.

Executive Budget Comparison

The following table compares the legislative budget in the 2011 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2008	Executive Budget Fiscal 2010	Legislative Budget Fiscal 2010	Leg – Exec. Difference Fiscal 2010	Executive Budget Fiscal 2011	Legislative Budget Fiscal 2011	Leg – Exec. Difference Fiscal 2011	Biennium Difference Fiscal 10-11
FTE	78.50	83.50	84.50	1.00	83.50	84.50	1.00	
Personal Services	3,840,273	4,890,230	4,923,687	33,457	4,898,301	4,958,447	60,146	93,603
Operating Expenses	1,334,922	2,201,436	2,185,674	(15,762)	2,670,928	2,652,995	(17,933)	(33,695)
Benefits & Claims	10,152,855	11,498,655	11,498,655	0	11,498,655	11,498,655	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$15,328,050	\$18,590,321	\$18,608,016	\$17,695	\$19,067,884	\$19,110,097	\$42,213	\$59,908
State/Other Special Proprietary	15,328,050 0	18,590,321 0	18,608,016 0	17,695 0	19,067,884 0	19,110,097 0	42,213 0	59,908 0
Total Funds	\$15,328,050	\$18,590,321	\$18,608,016	\$17,695	\$19,067,884	\$19,110,097	\$42,213	\$59,908

The legislatively approved budget differs from the executive proposal predominately in personal services. The executive proposal requested the funding of 5.0 new FTE. Of these, only one, a captive insurance position, was approved for funding, a second FTE was approved, for traditional exams, but no funding was provided. An additional 3.0 FTE (Insure Montana, Insurance Exams, and Securities) were funded through the adoption of elected official proposals brought forward by the State Auditor. The legislature added one additional FTE to the Insurance program for forms analysis, approving funding on a one-time-only basis during committee action. The result of these actions is an increase of 1.0 FTE from the executive proposed budget.

Language and Statutory Authority

The legislature added the following language to HB 2:

“The item for Forms Analyst is restricted to funding for personal services to comply with provisions of 33-1-501, specifically to ensure that the commissioner makes a determination on submitted forms prior to triggering the automatic approval provision contained in 33-1-501(2)(b).”

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	10.00	10.00	18.00	18.00	10.00	18.00	8.00	80.00%
Personal Services	444,468	596,646	1,035,401	1,043,744	1,041,114	2,079,145	1,038,031	99.70%
Operating Expenses	117,281	87,054	299,759	315,246	204,335	615,005	410,670	200.98%
Total Costs	\$561,749	\$683,700	\$1,335,160	\$1,358,990	\$1,245,449	\$2,694,150	\$1,448,701	116.32%
State Special	561,749	683,700	1,335,160	1,358,990	1,245,449	2,694,150	1,448,701	116.32%
Total Funds	\$561,749	\$683,700	\$1,335,160	\$1,358,990	\$1,245,449	\$2,694,150	\$1,448,701	116.32%

Program Description

The Central Management Division is responsible for the administrative, personnel, budgeting, and accounting functions for the State Auditor's Office. The division also provides support to the auditor in fulfilling the duties as a member of the state land and hail insurance boards.

Program Highlights

Central Services Division HB 2 Budget Highlights	
♦	The legislature approved the transfer of 8 FTE and related costs to Central Services from other divisions
♦	The legislatively approved budget includes additional funding for increased rent and operational expenses

Program Narrative

The Central Management Division provides support functions for the major divisions of the Office of the State Auditor. In prior biennia, some of the activities and FTE that were fulfilling central management type duties were being funded through the budgets of the Securities and Insurance divisions. The legislature has approved decision packages in each of the agency's programs that allow a number of FTE and related costs to be transferred to the Central Management Division in order to ensure that expenses are paid from the correct budget as recommended by the Legislative Audit Committee.

The legislature also approved a number of present law packages that expanded the program's budget including increases for rent, relocating expenses, and increased base operating expenses. The legislature approved several new proposals impacting personal services including increased vacancy savings, allocation of worker's compensation cost management, and HB 13 pay plan implementation.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table Central Management						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
02000 Total State Special Funds	\$ 561,749	100.0%	\$ 1,335,160	100.0%	\$ 1,358,990	100.0%
02235 Insurance Fee Account	549,330	97.8%	1,070,492	80.2%	1,089,699	80.2%
02283 Securities Fee Account	12,419	2.2%	264,668	19.8%	269,291	19.8%
Grand Total	\$ 561,749	100.0%	\$ 1,335,160	100.0%	\$ 1,358,990	100.0%

This program is funded entirely from state special revenue derived from fees imposed on insurance policies written in the state of Montana, licensing, registration and audit fees from individuals and organizations dealing in securities in the state and a portion of the state tobacco tax. The Central Management Division uses direct HB 2 appropriation rather than a proprietary fund in order to fund expenditures related to the administrative support functions that the program provides for the other divisions of the agency.

Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	561,749	561,749	1,123,498	41.70%
Statewide PL Adjustments	0	0	0	0.00%	187,746	178,489	366,235	13.59%
Other PL Adjustments	0	0	0	0.00%	82,004	108,422	190,426	7.07%
New Proposals	0	0	0	0.00%	503,661	510,330	1,013,991	37.64%
Total Budget	\$0	\$0	\$0		\$1,335,160	\$1,358,990	\$2,694,150	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
FTE	-----Fiscal 2010-----				-----Fiscal 2011-----				Total Funds
	General Fund	State Special	Federal Special	Total Funds	General Fund	State Special	Federal Special	Total Funds	
Personal Services				177,234	0.00				177,416
Vacancy Savings				(20,970)	0.00				(20,974)
Inflation/Deflation				347	0.00				421
Fixed Costs				31,135	0.00				21,626
Total Statewide Present Law Adjustments	\$0	\$187,746	\$0	\$187,746	0.00	\$0	\$178,489	\$0	\$178,489
DP 101 - CSD Annual Rent Increase	0.00	0	9,544	9,544	0.00	0	17,607	0	17,607
DP 102 - CSD - Base Adj	0.00	0	46,064	46,064	0.00	0	46,064	0	46,064
DP 103 - CSD New Office Space RST/OTO	0.00	0	26,638	26,638	0.00	0	45,029	0	45,029
DP 7101 - Fuel Inflation Reduction	0.00	0	(242)	(242)	0.00	0	(278)	0	(278)
Total Other Present Law Adjustments	0.00	\$0	\$82,004	\$82,004	0.00	\$0	\$108,422	\$0	\$108,422
Grand Total All Present Law Adjustments	0.00	\$0	\$269,750	\$269,750	0.00	\$0	\$286,911	\$0	\$286,911

DP 101 - CSD Annual Rent Increase - The legislature approved \$9,544 in FY 2010 and \$17,607 in FY 2011 of state special revenue to fund a scheduled 2 percent rent increase in FY 2010 and an estimated 3 percent rent increase in FY 2011.

DP 102 - CSD - Base Adj - The legislature approved an appropriation of \$46,064 state special revenue each year of the biennium for additional travel expenses.

DP 103 - CSD New Office Space RST/OTO - The legislature approved a one-time-only appropriation of \$26,638 in FY 2010 and \$45,029 in FY 2011 of additional state special revenue funding to relocate the agency and associated moving costs. The appropriation is restricted to be available only if the agency actually moves to new office space.

DP 7101 - Fuel Inflation Reduction - The legislature approved a reduction in funding for gasoline and diesel by the amount that these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is that no inflation adjustment has been applied to these two expenditure categories.

New Proposals

New Proposals										
Program	FTE	Fiscal 2010				Fiscal 2011				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 120 - Move of FTE from Insurance and Securities										
01	8.00	0	507,765	0	507,765	8.00	0	507,765	0	507,765
DP 6013 - 2011 Biennium Pay Plan - HB 13										
01	0.00	0	6,586	0	6,586	0.00	0	17,797	0	17,797
DP 6014 - Pay Plan Lump Sum Payment OTO										
01	0.00	0	4,462	0	4,462	0.00	0	0	0	0
DP 6101 - Fixed Cost Workers Comp Management Prgm Allocation										
01	0.00	0	576	0	576	0.00	0	499	0	499
DP 8101 - Increasing 4% Vacancy Savings to 7%										
01	0.00	0	(15,728)	0	(15,728)	0.00	0	(15,731)	0	(15,731)
Total	8.00	\$0	\$503,661	\$0	\$503,661	8.00	\$0	\$510,330	\$0	\$510,330

DP 120 - Move of FTE from Insurance and Securities - The Legislature approved the move of 6.0 FTE from the Insurance Division and 2.0 FTE from the Securities Division to the Central Services Division in order to appropriately budget for the FTE based on their functions within the agency.

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Workers Comp Management Prgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increasing 4% Vacancy Savings to 7% - The legislature approved an additional 3 percent per year to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	55.50	55.50	54.50	54.50	55.50	54.50	(1.00)	(1.80%)
Personal Services	2,912,796	3,145,237	3,165,195	3,187,123	6,058,033	6,352,318	294,285	4.86%
Operating Expenses	1,088,078	5,199,262	1,612,721	2,036,373	6,287,340	3,649,094	(2,638,246)	(41.96%)
Benefits & Claims	10,152,855	7,549,814	11,498,655	11,498,655	17,702,669	22,997,310	5,294,641	29.91%
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$14,153,729	\$15,894,313	\$16,276,571	\$16,722,151	\$30,048,042	\$32,998,722	\$2,950,680	9.82%
State Special	14,153,729	15,894,313	16,276,571	16,722,151	30,048,042	32,998,722	2,950,680	9.82%
Other	0	0	0	0	0	0	0	n/a
Total Funds	\$14,153,729	\$15,894,313	\$16,276,571	\$16,722,151	\$30,048,042	\$32,998,722	\$2,950,680	9.82%

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 and regulates captive insurers in the state. The Rates Bureau and the Forms Bureau are responsible for reviewing form filings and rate filings 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 Insure Montana Bureau administers the Small Business Health Insurance Purchasing Pool and Tax Credit program. The Legal Unit, which serves both the Insurance and Securities Divisions, provides legal support to the divisions. Investigations, which is under the Legal Unit, investigates code and rule violations, including possible criminal violations, and recommends referral of cases to county attorneys for prosecution.

Program Highlights

Insurance Division HB 2 Budget Highlights	
◆	The legislature added \$5.15 million additional state special revenue authority for present law adjustments in addition to statewide present law including \$2.49 million to fund Insure Montana at the same level as the 2009 biennium
◆	The legislature adopted elected official proposals to add 1.0 FTE for both Insure Montana and insurance examinations
◆	The legislature added 3.0 FTE for Policyholder Service Bureau, Captive Insurance Bureau, and for a form analyst position
◆	HB 258 added \$6.0 million in additional funding to the Insure Montana program in the upcoming biennium

Program Narrative

In addition to the functions of the division as described above, the following two programs administered by the Insurance Division are designed to increase access to health insurance in Montana for those persons that would normally not have access to coverage due to income, employer, age, or pre-existing medical condition. These programs are:

- Insure Montana
- Montana Comprehensive Health Association (MCHA)

Montana Comprehensive Health Association (MCHA)

The Montana legislature created the Montana Comprehensive Health Association (MCHA) to establish a program through which health insurance could be made available to Montana residents who are otherwise considered uninsurable due to medical conditions, preexisting health condition or a significant exclusion of coverage. MCHA is the “coverage of last resort” and is not intended to replace or duplicate coverage from any other source.

Coverage for members of the MCHA is provided through three plans:

- Traditional plan
- Portability plan
- Premium assistance plan

As of June 30, 2008 the total enrollment in MCHA plans are as follows:

- Traditional plan: 1,357
- Premium assistance plan: 251
- Portability plan: 1,384

Insure Montana Assistance Provided

Members pay a premium for the insurance provided through the pool, the cost for which is divided between the employer and the employee. Both the employer and the employee are entitled to a subsidy payment from the state for a portion of the premium payment depending on a number of factors including the plan offered and/or selected, the income of the employee, employee out-of-pocket expense, and dependant coverage. The amounts of the premium assistance payment are determined by Insure Montana staff as directed by the Insure Montana board.

Legislative Action

The legislature approved a number of present law packages that expanded the program’s budget including increases for rent, relocating expenses, restoration of the MCHA and Insure Montana funding amounts to the level approved in the prior biennium and increased base operating expenses. The legislature approved several new proposals impacting personal services including increased vacancy savings, allocation of worker’s compensation cost management, HB 13 pay plan implementation, and the addition of 5.0 new FTE.

An operational change moved 6.0 FTE and their related operating costs to the Central Management division from Insurance in order to accurately account for their associated costs based on their job function.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table						
Insurance						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
02000 Total State Special Funds	\$ 14,153,729	100.0%	\$ 16,276,571	100.0%	\$ 16,722,151	100.0%
02235 Insurance Fee Account	3,666,190	25.9%	4,244,484	26.1%	4,670,293	27.9%
02528 Captive Account	16,033	0.1%	128,029	0.8%	140,315	0.8%
02769 Health Insurance Premium Assistance	5,618,763	39.7%	6,605,958	40.6%	6,609,070	39.5%
02770 Health Insurance Tax Credits	4,028,570	28.5%	4,372,537	26.9%	4,376,917	26.2%
02789 6901-Chip/Mcha Tobacco Sett Fd	824,173	5.8%	925,563	5.7%	925,556	5.5%
Grand Total	<u>\$ 14,153,729</u>	<u>100.0%</u>	<u>\$ 16,276,571</u>	<u>100.0%</u>	<u>\$ 16,722,151</u>	<u>100.0%</u>

This program is funded entirely with state special revenue. Insure Montana is funded through an appropriation of a portion of the tobacco tax. This appropriation is divided initially 60-40 between premium assistance and tax credits, respectively. The Montana Comprehensive Health Association is funded from a portion of the tobacco settlement fund. The other functions of the program are funded from revenues derived from a percentage charge against every insurance

policy sold in the state, as well as from charges for insurance company examinations and fees paid by individual agents.

Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	14,153,729	14,153,729	28,307,458	85.78%
Statewide PL Adjustments	0	0	0	0.00%	544,893	531,302	1,076,195	3.26%
Other PL Adjustments	0	0	0	0.00%	1,806,341	2,263,884	4,070,225	12.33%
New Proposals	0	0	0	0.00%	(228,392)	(226,764)	(455,156)	(1.38%)
Total Budget	\$0	\$0	\$0		\$16,276,571	\$16,722,151	\$32,998,722	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget made by the legislature. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2010-----						-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					618,421	0.00				626,023
Vacancy Savings					(141,246)	0.00				(141,552)
Inflation/Deflation					6,731	0.00				9,536
Fixed Costs					60,987	0.00				37,295
Total Statewide Present Law Adjustments										
		\$0	\$544,893	\$0	\$544,893	0.00	\$0	\$531,302	\$0	\$531,302
DP 301 - Ins Annual Rent Increase										
	0.00	0	46,798	0	46,798	0.00	0	91,542	0	91,542
DP 302 - Ins - Exam Bureau - Annualize Captive Base										
	0.00	0	37,489	0	37,489	0.00	0	37,489	0	37,489
DP 303 - Ins - Rates Base Adj										
	0.00	0	4,428	0	4,428	0.00	0	5,800	0	5,800
DP 304 - Ins - Legal Base Adj										
	0.00	0	15,244	0	15,244	0.00	0	15,268	0	15,268
DP 305 - Ins - Investigations Base Adjustments										
	0.00	0	8,078	0	8,078	0.00	0	8,078	0	8,078
DP 306 - Ins - Forms Bureau Base Adj										
	0.00	0	15,166	0	15,166	0.00	0	15,166	0	15,166
DP 307 - Ins - Policyholder Services Bureau Base Adj										
	0.00	0	12,575	0	12,575	0.00	0	10,580	0	10,580
DP 308 - Ins - Contract Examinations										
	0.00	0	145,151	0	145,151	0.00	0	441,551	0	441,551
DP 309 - Ins - Captive Promotion										
	0.00	0	25,551	0	25,551	0.00	0	40,551	0	40,551
DP 310 - Ins - Licensing Base Adjustment										
	0.00	0	8,684	0	8,684	0.00	0	8,684	0	8,684
DP 311 - Ins - New Office Space RST/OTO										
	0.00	0	141,694	0	141,694	0.00	0	243,739	0	243,739
DP 318 - Restore Insure MT Funding										
	0.00	0	1,244,359	0	1,244,359	0.00	0	1,244,359	0	1,244,359
DP 319 - Restore MCHA Funding										
	0.00	0	101,441	0	101,441	0.00	0	101,441	0	101,441
DP 7101 - Fuel Inflation Reduction										
	0.00	0	(317)	0	(317)	0.00	0	(364)	0	(364)
Total Other Present Law Adjustments										
	0.00	\$0	\$1,806,341	\$0	\$1,806,341	0.00	\$0	\$2,263,884	\$0	\$2,263,884
Grand Total All Present Law Adjustments										
	0.00	\$0	\$2,351,234	\$0	\$2,351,234	0.00	\$0	\$2,795,186	\$0	\$2,795,186

DP 301 - Ins Annual Rent Increase - The legislature approved \$46,798 in FY 2010 and \$91,542 in FY 2011 of state special revenue to fund a scheduled 2 percent rent increase in FY 2010 and an estimated 3 percent rent increase in 2011.

DP 302 - Ins - Exam Bureau - Annualize Captive Base - The legislature approved \$37,489 state special revenue for both FY 2010 and FY 2011 to annualize the costs associated with hiring a new FTE in the Captive Insurance program during the base year.

DP 303 - Ins - Rates Base Adj - The legislature approved \$4,428 in FY 2010 and \$5,800 in FY 2011 of state special revenue is for increased travel and training costs and to purchase specialized actuary books and minor software.

DP 304 - Ins - Legal Base Adj - The legislature approved \$15,244 in FY 2010 and \$15,268 in FY 2011 of state special revenue funding for additional secured storage space, increased legal, travel, and education costs.

DP 305 - Ins - Investigations Base Adjustments - The legislature approved \$8,078 for FY 2010 and FY 2011 of state special revenue for increased travel and training costs for the Investigations Bureau.

DP 306 - Ins - Forms Bureau Base Adj - The legislature approved \$15,166 each year of the biennium of state special revenue for increased travel and training costs for the Forms Bureau.

DP 307 - Ins - Policyholder Services Bureau Base Adj - The legislature approved \$12,575 in FY 2010 and \$10,580 in FY 2011 for the Policyholder Services Unit for minor software purchase and increased travel for training and educational expenditures.

DP 308 - Ins - Contract Examinations - The legislature approved \$145,151 in FY 2010 and \$441,551 in FY 2011 of state special revenue funding to enable the examination of insurers using contractor services.

DP 309 - Ins - Captive Promotion - The legislature approved an appropriation of \$25,551 for FY 2010 and \$40,551 for FY 2011 state special revenue is to annualize the costs associated with promoting captive insurance in Montana.

DP 310 - Ins - Licensing Base Adjustment - The legislature approved \$8,684 each year of the biennium of state special revenue funding for travel and fees associated with Securities and Insurance Licensing Association (SILA) training.

DP 311 - Ins - New Office Space RST/OTO - The legislature approved a one-time-only appropriation of \$141,694 in FY 2010 and \$243,738 in FY 2011 of state special revenue funding to relocate the agency and associated moving costs. The appropriation is restricted to be available only if the agency actually moves to new office space.

DP 318 - Restore Insure MT Funding - The legislature approved \$1,244,359 state special revenue funding each year of the 2011 biennium to restore funding for the Insure Montana Program to levels authorized by the 2007 legislature.

DP 319 - Restore MCHA Funding - The legislature approved \$101,441 state special revenue funding each year of the 2011 biennium to restore funding for the Montana Comprehensive Health Association.

DP 7101 - Fuel Inflation Reduction - The legislature approved a reduction in funding for gasoline and diesel by the amount that these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is that no inflation adjustment has been applied to these two expenditure categories.

New Proposals

New Proposals										
Program	FTE	-----Fiscal 2010-----				-----Fiscal 2011-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 308 - New FTE for Insure Montana Program										
03	1.00	0	45,500	0	45,500	1.00	0	43,695	0	43,695
DP 314 - Ins - Traditional Exams FTE										
03	1.00	0	0	0	0	1.00	0	0	0	0
DP 315 - Ins - Policyholder Service Bureau Claims Examiner										
03	1.00	0	60,976	0	60,976	1.00	0	56,808	0	56,808
DP 317 - INS - Forms Analyst FTE (RST/OTO)										
03	1.00	0	47,551	0	47,551	1.00	0	40,551	0	40,551
DP 320 - New FTE for Captive Insurance Exams										
03	1.00	0	86,447	0	86,447	1.00	0	83,734	0	83,734
DP 325 - Move of FTE to Central Services Division										
03	(6.00)	0	(399,961)	0	(399,961)	(6.00)	0	(400,229)	0	(400,229)
DP 6013 - 2011 Biennium Pay Plan - HB 13										
03	0.00	0	17,714	0	17,714	0.00	0	53,515	0	53,515
DP 6014 - Pay Plan Lump Sum Payment OTO										
03	0.00	0	17,785	0	17,785	0.00	0	0	0	0
DP 6101 - Fixed Cost Workers Comp Management Prgm Allocation										
03	0.00	0	1,531	0	1,531	0.00	0	1,327	0	1,327
DP 8101 - Increasing 4% Vacancy Savings to 7%										
03	0.00	0	(105,935)	0	(105,935)	0.00	0	(106,165)	0	(106,165)
Total	(1.00)	\$0	(\$228,392)	\$0	(\$228,392)	(1.00)	\$0	(\$226,764)	\$0	(\$226,764)

DP 308 - New FTE for Insure Montana Program - The legislature approved an appropriation of \$45,500 in FY 2010 and \$43,695 in FY 2011 of state special revenue for 1.0 new FTE.

DP 314 - Ins - Traditional Exams FTE - The legislature approved the request to add an additional 1.00 FTE for traditional exams, but did not provide funding for the position.

DP 315 - Ins - Policyholder Service Bureau Claims Examiner - The legislature approved \$60,976 in FY 2010 and \$56,808 in FY 2011 state special revenue funding to support 1.00 FTE and operating costs to complete additional market conduct examinations and new analysis responsibilities.

DP 317 - INS - Forms Analyst FTE (RST/OTO) - The legislature approved \$47,551 in FY 2010 and \$40,551 in FY 2011 state special revenue funding for personal services for 1.00 FTE to work in the Forms Bureau. This position is restricted to comply with provisions of 33-1-501, MCA, specifically to ensure that the commissioner makes a determination on submitted forms prior to triggering the automatic approval provision contained in 33-1-501(2)(b).

DP 320 - New FTE for Captive Insurance Exams - The legislature approved the addition of 1.0 FTE and related costs for Captive Insurance Exams.

DP 325 - Move of FTE to Central Services Division - The Legislature approved the move of 6.0 FTE from the Insurance Division to the Central Services Division in order to appropriately budget for the FTE based on their functions within the agency.

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Workers Comp Management Prgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increasing 4% Vacancy Savings to 7% - The legislature approved an additional 3 percent per year to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.

Language and Statutory Authority

The legislature added the following language to HB 2:

“The item for Form Analyst is restricted to funding for personal services to comply with provisions of 33-1-501, specifically to ensure that the commissioner makes a determination on submitted forms prior to triggering the automatic approval provision contained in 33-1-501(2)(b).”

Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	13.00	13.00	12.00	12.00	13.00	12.00	(1.00)	(7.69%)
Personal Services	483,009	711,976	723,091	727,580	1,194,985	1,450,671	255,686	21.40%
Operating Expenses	129,563	234,861	273,194	301,376	364,424	574,570	210,146	57.67%
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$612,572	\$946,837	\$996,285	\$1,028,956	\$1,559,409	\$2,025,241	\$465,832	29.87%
State Special	612,572	946,837	996,285	1,028,956	1,559,409	2,025,241	465,832	29.87%
Total Funds	\$612,572	\$946,837	\$996,285	\$1,028,956	\$1,559,409	\$2,025,241	\$465,832	29.87%

Program Description

The Securities Division is responsible for the administration and enforcement of the Securities Act of Montana and, in particular, for the registration of securities issuers, salespeople, broker-dealers, investment advisers, and investment adviser representatives and multi-level marketing companies. The division is also responsible for the investigation of unregistered and fraudulent securities transactions. The division has sole jurisdiction for investment advisor firms with assets of under \$25 million. The division investigates securities code and rule violations, including possible criminal violations, takes appropriate administrative action and, refers criminal cases to either federal authorities or county attorneys for prosecution.

Program Highlights

Securities Division HB 2 Budget Highlights	
<ul style="list-style-type: none"> ◆ The legislature approved an increase in total funding of 29.9 percent in the 2011 biennium from the 2009 biennium, including: <ul style="list-style-type: none"> • Present law adjustments and pay plan funding • A biennial appropriation request for securities exam cost adjustments • An annual rent increase ◆ 2.0 FTE were moved to the Central Management division ◆ The legislature added 1.0 FTE for legal services 	

Program Narrative

The legislature approved a number of present law packages that expanded the program's budget including increases for rent, relocating expenses, and increased base operating expenses. The legislature approved several new proposals impacting personal services including increased vacancy savings, allocation of worker's compensation cost management, and HB 13 pay plan implementation.

An operational change moved 2.0 FTE and their related operating costs to the Central Management division from Securities in order to accurately account for their associated costs based on their job function.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table						
Securities						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
02000 Total State Special Funds	\$ 612,572	100.0%	\$ 996,285	100.0%	\$ 1,028,956	100.0%
02283 Securities Fee Account	612,572	100.0%	996,285	100.0%	1,028,956	100.0%
Grand Total	\$ 612,572	100.0%	\$ 996,285	100.0%	\$ 1,028,956	100.0%

This program is funded entirely with state special revenue. The department charges fees for examinations, audits, and licensure. Excess funding is transferred to the general fund.

Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	612,572	612,572	1,225,144	60.49%
Statewide PL Adjustments	0	0	0	0.00%	288,172	284,457	572,629	28.27%
Other PL Adjustments	0	0	0	0.00%	130,155	166,138	296,293	14.63%
New Proposals	0	0	0	0.00%	(34,614)	(34,211)	(68,825)	(3.40%)
Total Budget	\$0	\$0	\$0		\$996,285	\$1,028,956	\$2,025,241	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2010-----						-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					311,897	0.00				312,706
Vacancy Savings					(31,796)	0.00				(31,832)
Inflation/Deflation					222	0.00				238
Fixed Costs					7,849	0.00				3,345
Total Statewide Present Law Adjustments										
		\$0	\$288,172	\$0	\$288,172	0.00	\$0	\$284,457	\$0	\$284,457
0										
DP 401 - Securities Annual Rent Increase										
	0.00	0	11,535	0	11,535	0.00	0	22,015	0	22,015
DP 402 - Securities - Exams Base Adjustments - BIEN										
	0.00	0	37,204	0	37,204	0.00	0	37,204	0	37,204
DP 403 - Securities - Base Adjustment										
	0.00	0	47,704	0	47,704	0.00	0	49,304	0	49,304
DP 404 - Securities New Office Space RST/OTO										
	0.00	0	33,757	0	33,757	0.00	0	57,666	0	57,666
DP 7101 - Fuel Inflation Reduction										
	0.00	0	(45)	0	(45)	0.00	0	(51)	0	(51)
0										
Total Other Present Law Adjustments										
	0.00	\$0	\$130,155	\$0	\$130,155	0.00	\$0	\$166,138	\$0	\$166,138
0										
Grand Total All Present Law Adjustments										
	0.00	\$0	\$418,327	\$0	\$418,327	0.00	\$0	\$450,595	\$0	\$450,595

DP 401 - Securities Annual Rent Increase - The legislature approved \$11,535 in FY 2010 and \$22,015 in FY 2011 of state special revenue to fund a scheduled 2 percent rent increase in FY 2010 and an estimated 3 percent rent increase in 2011.

DP 402 - Securities - Exams Base Adjustments - BIEN - The legislature approved a biennial request of \$74,408 state special revenue to annualize the reimbursable costs associated with the Securities Division's responsibility for the oversight of roughly 1,400 broker/dealer firms, 750 investment advisory firms, and 75,000 securities salespersons and investment adviser representatives.

DP 403 - Securities - Base Adjustment - The legislature approved \$47,704 in FY 2010 and \$49,304 in FY 2011 of state special revenue to increase the budget for the costs associated with the estimated number of contract hearings officers and North American Securities Administrator's Association (NASAA) reimbursable related travel.

DP 404 - Securities New Office Space RST/OTO - The legislature approved a one-time-only appropriation of \$33,757 in FY 2010 and \$57,666 in FY 2011 of state special revenue funding to relocate the agency and associated moving costs. The appropriation is restricted to be available only if the agency actually moves to new office space.

DP 7101 - Fuel Inflation Reduction - The legislature approved a reduction in funding for gasoline and diesel by the amount that these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is that no inflation adjustment has been applied to these two expenditure categories.

New Proposals

New Proposals										
Program	FTE	Fiscal 2010				Fiscal 2011				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 420 - Move of FTE to Central Services Division										
04	(2.00)	0	(107,804)	0	(107,804)	(2.00)	0	(107,536)	0	(107,536)
DP 421 - Securities - New Legal FTE (OTO)										
04	1.00	0	87,871	0	87,871	1.00	0	84,313	0	84,313
DP 6013 - 2011 Biennium Pay Plan - HB 13										
04	0.00	0	4,186	0	4,186	0.00	0	12,649	0	12,649
DP 6014 - Pay Plan Lump Sum Payment OTO										
04	0.00	0	4,707	0	4,707	0.00	0	0	0	0
DP 6101 - Fixed Cost Workers Comp Management Prgm Allocation										
04	0.00	0	273	0	273	0.00	0	237	0	237
DP 8101 - Increasing 4% Vacancy Savings to 7%										
04	0.00	0	(23,847)	0	(23,847)	0.00	0	(23,874)	0	(23,874)
Total	(1.00)	\$0	(\$34,614)	\$0	(\$34,614)	(1.00)	\$0	(\$34,211)	\$0	(\$34,211)

DP 420 - Move of FTE to Central Services Division - The Legislature approved the move of 2.0 FTE from the Securities Division to the Central Services Division in order to appropriately budget for the FTE based on their functions within the agency.

DP 421 - Securities - New Legal FTE (OTO) - The legislature approved a one-time-only appropriation of \$87,871 in FY 2010 and \$84,313 in FY 2011 of state special revenue for personal services and associated operating costs to hire an additional attorney in the Securities Division of the State Auditors Office.

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. These amounts represent this program's allocation of costs to fund this pay plan. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Workers Comp Management Prgm Allocation - Funding was approved as a fixed cost for agencies to pay fees, based on the average number of payroll warrants issued per pay period, to support the worker's compensation management program in the Department of Administration.

DP 8101 - Increasing 4% Vacancy Savings to 7% - The legislature approved an additional 3 percent per year to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.