

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	82.50	82.50	86.80	86.80	82.50	86.80	4.30	5.21%
Personal Services	4,744,653	4,838,404	5,321,612	5,320,219	9,583,057	10,641,831	1,058,774	11.05%
Operating Expenses	1,743,953	2,658,289	2,685,831	2,304,523	4,402,242	4,990,354	588,112	13.36%
Equipment & Intangible Assets	13,751	0	13,751	13,751	13,751	27,502	13,751	100.00%
Benefits & Claims	10,253,392	11,498,655	10,678,166	10,678,166	21,752,047	21,356,332	(395,715)	(1.82%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$16,755,749	\$18,995,348	\$18,699,360	\$18,316,659	\$35,751,097	\$37,016,019	\$1,264,922	3.54%
State Special	16,755,749	18,995,348	18,699,360	18,316,659	35,751,097	37,016,019	1,264,922	3.54%
Other	0	0	0	0	0	0	0	n/a
Total Funds	\$16,755,749	\$18,995,348	\$18,699,360	\$18,316,659	\$35,751,097	\$37,016,019	\$1,264,922	3.54%

Agency Description

The Office of the State Auditor is authorized under Article VI of the Montana Constitution. The State Auditor is the ex-officio Commissioner of Securities and Insurance and is responsible for licensing and regulating insurance companies and agents, and registering and regulating securities firms and representatives that transact business to or from Montana. The Commissioner of Securities and Insurance adopts rules and administers reform for the securities and insurance industries operating in the state. The Commissioner also serves as a member of the Land Board and the Crop Hail Insurance Board. The Office of the State Auditor has three divisions: Central Services, Insurance, and Securities.

The State Auditor's Office (SAO) is also responsible to pass through funding for local police and firefighter retirement programs (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). The retirement programs are funded from general insurance (33-2-705, MCA) and fire insurance premium taxes (50-3-109, MCA) - \$24 million in FY 2010. Because these funds are statutorily appropriated, the expenditures are not included in the general appropriations act.

The agency consists of three divisions with the following functions:

The Centralized Management Division (16.80 FTE) provides management and administrative services for the agency including agency leadership, accounting, budgeting, and human resources.

The Insurance Division (58.00 FTE) is responsible for oversight and regulation of the insurance industry in Montana.

The Securities Division (12.00 FTE) is responsible for oversight and regulation of the securities industry in Montana.

Agency Highlights

Office of the State Auditor Major Budget Highlights
<ul style="list-style-type: none"> ◆ The State Auditor's Office (SAO) budget request increases a net of \$1.2 million compared to the 2011 biennium due primarily these changes: <ul style="list-style-type: none"> • Net increase of \$1.1 million in personal services to: <ul style="list-style-type: none"> ○ Continue 3.00 FTE funded from one-time funding in the 2011 biennium and to make 2.00 FTE permanent ○ Provide additional administrative resources for the Insure Montana program – 2.00 FTE ○ Annualize pay plan health insurance increases funded by the legislature in the 2011 biennium ○ Remove funding for 0.70 FTE • An increase of \$0.7 million in operating cost increases for: <ul style="list-style-type: none"> ○ Contracted services for examinations of insurance companies ○ Office rent • A reduction of \$0.4 million in benefits and services in anticipation of a legislative initiative to limit premium assistance payments made by the Insure Montana program, which remained in HB 2 even though the initiative was withdrawn ◆ The legislature also proposed HB 612 to allow small employers to claim the Insure Montana state income tax credit only if they are not eligible for the federal income tax credit to offset the cost of providing employee group health coverage. The Governor vetoed HB 612 and the vote to override the veto was not complete prior to publication of the Fiscal Report.

Summary of Legislative Action

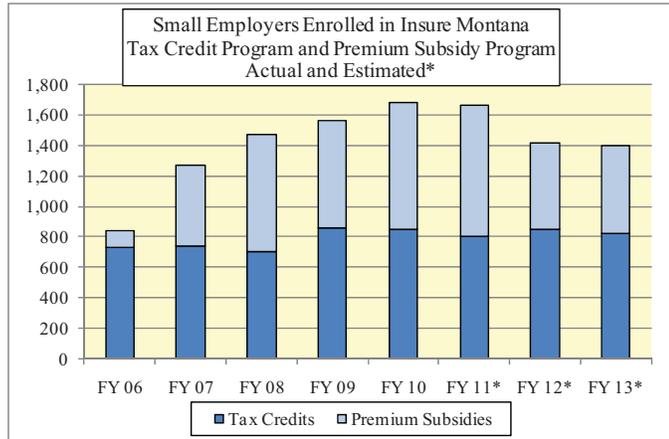
The SAO 2013 biennium appropriation is \$1.2 million higher than the 2011 biennium budget due primarily to funding 3.00 new permanent FTE, additional examinations and review of insurance and securities companies, more office space, and statewide present law adjustments for personal services costs and minor inflation adjustments. The legislature also continued one-time funding approved by the 2009 Legislature for 1.00 securities attorney FTE. These increases are partially offset by adoption of the 5% budget reduction plans required to be submitted with agency budget requests, including eliminating funding for 0.70 FTE, and due to reducing funding for the Insure Montana program.

Insure Montana

The Insure Montana program is a state funded program that provides premium assistance and tax credits to small employers who provide group health insurance to their employees. The 2013 biennium appropriation for the program is \$10.5 million annually, or 58% of the total SAO appropriation. Insure Montana is funded from cigarette and tobacco taxes deposited to the health and Medicaid initiatives state special revenue account.

The legislature made several changes to the appropriation for Insure Montana, some of which were based on anticipated statutory changes that ultimately were not approved. The SAO had requested continuation of a one-time annual \$3.0 million appropriation approved during the 2009 biennium. However, the legislature did not approve the request. Instead, in order to maximize Insure Montana funding, the legislature proposed that small employers eligible for the federal tax credit for health insurance would not be eligible to receive the state tax credit as well. The SAO estimated that nearly two thirds of the small employers currently receiving the state tax subsidy would be ineligible in the 2013 biennium. The legislature included the statutory change in HB 612, which was vetoed by the Governor after the legislature adjourned. A poll of the legislature to override the veto of HB 612 was not completed prior to publication of the Fiscal Report.

The legislature also considered, but did not approve, a change to limit eligibility for premium assistance to employees in households with incomes under 300% of the federal poverty level (\$67,050 for a family of four in 2011). The legislature added funds in HB 2 for 2.00 new FTE and for computer system changes and reduced the Insure Montana appropriation by a net of \$0.9 million in anticipation of the eligibility change. However, statutes governing the premium assistance component of the program were not amended and the legislature did not restore premium assistance funding nor remove funding for the new FTE.



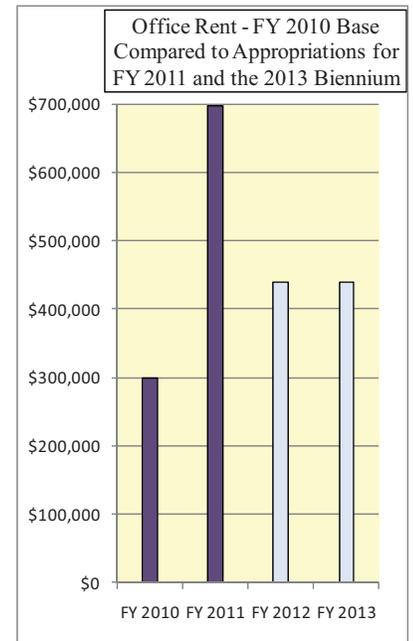
The figure shows the number of small employers enrolled in the two components of the Insure Montana program from FY 2006 through May 2011 and the number that could be supported by the HB 2 appropriation, based on the FY 2011 average amount per small employer for premium assistance and for tax subsidies. Based on these assumptions, the HB 2 appropriation is sufficient to continue the number of small employers receiving tax subsidies as of May 2011, but not sufficient to continue the number receiving premium assistance.

The SAO has flexibility to alter premium assistance amounts and spending between the two components of Insure Montana. Actual enrollment in Insure Montana will depend

on policy decisions and management actions taken by the SAO.

Office Lease Costs

The legislature appropriated about \$140,000 state special revenue more each year for additional office space acquired by the SAO late in FY 2010. The figure shows the base year lease costs compared to the FY 2011 and 2013 biennium appropriations. The 2009 Legislature anticipated that the annual cost of additional office space would be nearly \$700,000 as reflected in the FY 2011 appropriation. However, the actual costs for the 2013 biennium are about \$440,000 or \$258,000 lower than anticipated by the previous legislature.



Funding

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

Total Agency Funding 2013 Biennium Budget			
Agency Program	State Spec.	Grand Total	Total %
01 Central Management	\$ 2,441,539	\$ 2,441,539	6.60%
03 Insurance	32,545,780	32,545,780	87.92%
04 Securities	2,028,700	2,028,700	5.48%
Grand Total	<u>\$ 37,016,019</u>	<u>\$ 37,016,019</u>	<u>100.00%</u>

A portion of this agency’s on-going funding does not appear in the table because it does not require a specific appropriation.

The SAO is funded entirely from state special revenue in the general appropriations act. The source of funding, percentage of total 2013 biennium appropriation, and functions supported are:

- o Health and Medicaid initiatives tobacco tax revenue (58% of the total) pays for the Insure Montana program - premium assistance and tax credits to help small employers provide group health insurance to their employees

- o Insurance fees such as registration/licensure (31% of the total) pay for insurance regulation functions
- o Security fees such as portfolio filing and reimbursements for examinations (6% of the total) pay for security regulation functions
- o Tobacco settlement funds (5% of the total) pay for premium assistance for low-income persons participating the state high risk health insurance pool (Montana Comprehensive Health Association)
- o Captive account fees-5% of the premium tax collected from captive insurers-pay for regulation of groups formed to insure a specific business or businesses (less than 1% of total funding)

Two of these accounts – security fees and captive account fees – must transfer balances to the general fund at fiscal year end. The SAO also collects other fees and taxes levied on the insurance industry such as premium taxes, which are transferred to the general fund and to the account that funds the Healthy Montana Kids program administered by DPHHS, and which are passed through to retirement funds for local police and firefighters.

Tobacco tax health and Medicaid initiatives state special revenue is also appropriated to DPHHS to support Healthy Montana Kids, Medicaid provider rate increases and service expansions, and Big Sky Rx, a program to help low-income Medicare beneficiaries pay a portion of Medicare Part D drug insurance. The total funded from this account is shown in the following figure.

Health and Medicaid Initiatives Fund Balance - 2013 Biennium Budget					
Tobacco Tax Revenue Dedicated to Health Initiatives					
Fund Balance	Actual	Estimated	Legislative Appropriation		% of
Revenue/Expenditures	FY 2010	FY 2011**	FY 2012	FY 2013	Total
Beginning Fund Balance	\$48,563,315	\$40,494,985	\$31,198,764	\$22,937,822	38.9%
Revenue - Cigarette and Tobacco Tax*	37,625,801	37,306,000	36,831,000	36,052,000	61.1%
Transfer from Older Montanans' Trust (HB 604)	<u>0</u>	<u>0</u>	<u>3,166,502</u>	<u>0</u>	0.0%
Total Revenue	86,189,116	77,800,985	71,196,266	58,989,822	100%
Interest Earnings	<u>190,276</u>	<u>194,502</u>	<u>651,446</u>	<u>1,500,111</u>	
Total Funds Available	86,379,392	77,995,488	71,847,712	60,489,933	
Expenditures					
<i>Medicaid Services</i>					
State Plan Services - Hospitals, Physicians, Prescription Drugs, Dental**	8,521,089	7,031,298	8,095,910	8,058,130	16.3%
Nursing Home Services	5,480,318	5,480,319	6,786,393	6,844,244	13.8%
Developmental Disability Benefits	3,135,587	3,135,587	2,942,130	2,942,130	5.9%
Mental Health and Chemical Dependency	2,230,689	1,883,033	2,045,956	2,055,711	4.1%
Children's Mental Health Services	1,961,725	2,176,518	1,741,003	1,741,003	3.5%
Home-based Services	2,007,209	2,002,207	2,096,298	2,106,888	4.3%
Senior/Physically Disabled Waiver	1,837,192	1,987,212	3,452,183	3,476,576	7.0%
MHSP Medicaid Expansion - HIFA Waiver	0	591,242	1,226,487	1,843,997	3.7%
Adult Mental Health Community Srvs Waiver	483,367	692,648	1,028,489	1,035,744	2.1%
<i>Other Programs</i>					
Insure Montana Premium Assistance	5,746,420	7,429,945	6,337,767	6,298,152	12.7%
Insure Montana Health Insurance Tax Credits	4,245,779	4,250,600	4,159,004	4,159,099	8.4%
Big Sky Rx/PharmAssist	4,030,104	4,703,630	4,003,825	4,003,223	8.1%
Mental Health Services Plan	2,060,256	1,440,000	2,060,256	2,060,256	4.2%
Healthy Montana Kids/CHIP**	3,413,840	3,854,204	3,403,921	3,403,921	6.9%
Insure Montana 95% Restriction/Other Adj.***	646,249	0	(524,839)	(522,863)	-1.1%
Other Services/Administration	<u>84,583</u>	<u>138,281</u>	<u>55,107</u>	<u>55,134</u>	<u>0.1%</u>
Subtotal Expenditures	<u>45,884,407</u>	<u>46,796,724</u>	<u>48,909,890</u>	<u>49,561,345</u>	<u>100.0%</u>
Annual Change		2.0%	4.5%	1.3%	
Ending Fund Balance	<u>\$40,494,985</u>	<u>\$31,198,764</u>	<u>\$22,937,822</u>	<u>\$10,928,587</u>	
*Revenue based on estimates adopted in HJR 2 by the House of Representatives on March 28, 2011.					
**FY 2011 estimated costs taken from Department of Public Health and Human Services April 15, 2011 budget status report. Other FY 2011 expenditure estimates are based on information provided by administering programs as of 3-14-11.					
***Insure Montana 95% Restriction/Other Adjustments account for the 95% statutory spending restriction for Insure Montana appropriations. In the base year, more is transferred to the Insure Montana appropriations than can be expended. In other years, the negative amounts account for the statutorily required reversion from the appropriation.					

About 20% of the health and Medicaid initiatives account supports the Insure Montana program. Nearly two-thirds of the appropriations from the account pay for historic Medicaid rate increases and service expansions, with a couple of exceptions – a rate increase for direct care workers in community aging services and implementation of the HIFA waiver to expand a limited physical health benefit to low-income adults with a serious and disabling mental illness.

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	0	0	0	0.00%	16,755,749	16,755,749	33,511,498	90.53%
Statewide PL Adjustments	0	0	0	0.00%	334,090	297,319	631,409	1.71%
Other PL Adjustments	0	0	0	0.00%	1,835,229	1,527,429	3,362,658	9.08%
New Proposals	0	0	0	0.00%	(225,708)	(263,838)	(489,546)	(1.32%)
Total Budget	\$0	\$0	\$0		\$18,699,360	\$18,316,659	\$37,016,019	

Other Legislation

HB 125 – This bill removes the October 1 date for enrollment in the Insure Montana program. Instead applications may be accepted for purchasing pool participants at any time within 12 months of the initial registration approval or within the time period for renewal of the coverage under this part, whichever is longer, and for tax credit participants on December 1 of each year and continue for up to 60 calendar days later.

HB 265 – This bill prohibits an insurance company from disregarding a repair or cost identified by an estimating system that the insurer and an automobile body repair business have agreed to use in determining the cost of repair.

HB 324 – This bill makes the following to changes Montana Comprehensive Health Association (MCHA):

- Changes program eligibility criteria by
 - Raising financial eligibility from 150% to 200% of the federal poverty level
 - Lowering the requirement for rejection of health insurance coverage from one insurer, society, or health service corporation from 2 to 1
- Adds one additional public interest member to the association board of directors who must be enrolled in MCHA at the time of appointment
- Lowers the maximum premium charge from 200% to 150% of the average premium rates charged by the five insurers or health service corporations with the largest premium amount of individual plans of major medical insurance in force in Montana
- Raises the minimum lifetime benefit for an MCHA plan from \$0.5 million to \$2.0 million

The fiscal note estimated that an additional 152,400 Montanans would be eligible for MCHA benefits. However, MCHA costs are limited to available funding, so there is no fiscal impact.

HB 573 – This bill requires the Insurance Commissioner to convene an advisory council and make recommendations to the 63rd Legislature regarding the costs, benefits, and procedural and technical requirements necessary to design, implement, and maintain a statewide all-player, all-claims database for health care. The bill requires that the investigation of insurance matters related to health care will be done within available funding.

HB 615 – This requires the Insurance Commissioner to convene an advisory committee to review and facilitate appropriate and equitable treatment of cancer patients eligible for clinical trials by those offering health insurance coverage in Montana. The advisory committee will prepare a final report summarizing its findings and present the report to the Economic Affairs Interim Committee on or before March 31, 2012.

HJ 33 – This bill requests that the Legislative Council direct an appropriate interim committee or direct staff resources for a joint committee to review the feasibility of creating a state-based health insurance exchange or participating in a regional health insurance exchange and to report its findings including any findings, conclusions, comments, or recommendations to the 63rd Legislature.

SB 125 – This bill prohibits state agencies from implementing or enforcing any federal regulation or policy to implement the requirement for individuals to purchase health insurance and maintain minimum essential health insurance coverage.

SB 221 – This bill allows the Insurance Commissioner to waive the statutory requirements governing managed care entities or provider networks for accountable care organizations (a group of health care providers that are willing and capable of accepting accountability for the total cost and quality of care for a defined population). The commissioner must follow the Medicare shared savings program structure in developing compliance criteria needed for obtaining a waiver. The factors that the commissioner may take into account when granting a waiver include but are not limited to the financial condition of the accountable care organization, any consumer complaints against the organization, and the length of time the organization has been in business.

SB 331 - This bill addresses recent changes in the federal law that reallocate the attribution of surplus lines insurance premiums and fees for taxation purposes to the domiciliary state of the insurer. This bill allows the State Auditor's Office to enter into reciprocal agreements with other states to share surplus lines premium taxes and fees. If SB 331 had not passed, surplus lines premium taxes deposited in the general fund would have declined about \$1.3 million per year during the 2013 biennium.

Executive Budget Comparison

The following table compares the legislative budget in the 2013 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2010	Executive Budget Fiscal 2012	Legislative Budget Fiscal 2012	Leg - Exec. Difference Fiscal 2012	Executive Budget Fiscal 2013	Legislative Budget Fiscal 2013	Leg - Exec. Difference Fiscal 2013	Biennium Difference Fiscal 12-13
FTE	82.50	84.50	86.80	2.30	84.50	86.80	2.30	
Personal Services	4,744,653	5,216,716	5,321,612	104,896	5,215,431	5,320,219	104,788	209,684
Operating Expenses	1,743,953	2,797,663	2,685,831	(111,832)	2,454,027	2,304,523	(149,504)	(261,336)
Equipment & Intangible Assets	13,751	13,751	13,751	0	13,751	13,751	0	0
Benefits & Claims	10,253,392	11,194,769	10,678,166	(516,603)	11,194,769	10,678,166	(516,603)	(1,033,206)
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$16,755,749	\$19,222,899	\$18,699,360	(\$523,539)	\$18,877,978	\$18,316,659	(\$561,319)	(\$1,084,858)
State/Other Special	16,755,749	19,222,899	18,699,360	(523,539)	18,877,978	18,316,659	(561,319)	(1,084,858)
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$16,755,749	\$19,222,899	\$18,699,360	(\$523,539)	\$18,877,978	\$18,316,659	(\$561,319)	(\$1,084,858)

The legislative appropriation for the State Auditor's Office (SAO) is about \$1.1 million lower than the executive budget request, but includes funding for an increase of 2.30 new FTE, due to the net changes from the following actions:

- Elimination of \$0.9 million for anticipated changes to the Insure Montana premium assistance program, including funding 2.00 new FTE
- Elimination of one-time information technology contract costs supporting the Insure Montana Program - \$0.3 million
- Adoption of the 5% reduction plans required to be included as part of the agency budget submission (17-7-111(3)(f), MCA) - \$0.1 million and 0.70 FTE lower than the executive budget
- Continuation of funding for 1.00 FTE and some benefit costs for the Insure Montana program that were funded from a one-time appropriation during the 2011 biennium and requested in an elected official proposal by the SAO - \$0.2 million

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	17.00	17.00	16.80	16.80	17.00	16.80	(0.20)	(1.18%)
Personal Services	946,396	1,014,726	1,013,925	1,013,391	1,961,122	2,027,316	66,194	3.38%
Operating Expenses	186,251	314,056	207,954	200,669	500,307	408,623	(91,684)	(18.33%)
Equipment & Intangible Assets	2,800	0	2,800	2,800	2,800	5,600	2,800	100.00%
Total Costs	\$1,135,447	\$1,328,782	\$1,224,679	\$1,216,860	\$2,464,229	\$2,441,539	(\$22,690)	(0.92%)
State Special	1,135,447	1,328,782	1,224,679	1,216,860	2,464,229	2,441,539	(22,690)	(0.92%)
Total Funds	\$1,135,447	\$1,328,782	\$1,224,679	\$1,216,860	\$2,464,229	\$2,441,539	(\$22,690)	(0.92%)

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 Commissioner in fulfilling duties as a member of the State Land Board and Crop Hail Insurance Board.

Program Highlights

Central Management Division Major Budget Highlights	
◆	The difference between the 2011 biennium and the 2013 biennium budget request for the Central Management Division is negligible <ul style="list-style-type: none"> • Personal services grow due to fully funding all positions in the 2013 biennium (less vacancy savings) and state health plan cost increases from FY 2010 to FY 2011 • Part of the personal services cost increase is partially offset by elimination of funding for 0.20 FTE, which was included in the 5% budget reduction plan submitted in the State Auditor's budget request as required by 17-7-111(3)(f), MCA and adopted by the legislature • Operating costs decline due to reductions in state centralized services costs and reductions in rent compared to the FY 2011 appropriation

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding Table Central Management						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
02000 Total State Special Funds	\$ 1,135,447	100.0%	\$ 1,224,679	100.0%	\$ 1,216,860	100.0%
02235 Insurance Fee Account	918,414	80.9%	988,366	80.7%	982,110	80.7%
02283 Securities Fee Account	217,033	19.1%	236,313	19.3%	234,750	19.3%
Grand Total	<u>\$ 1,135,447</u>	<u>100.0%</u>	<u>\$ 1,224,679</u>	<u>100.0%</u>	<u>\$ 1,216,860</u>	<u>100.0%</u>

The Central Management Division is supported solely by state special revenue from insurance and security industry fees. Insurance fees support about 80% of the appropriation and the balance is from security fees.

- o Insurance fees, listed in 33-2-708, MCA, are collected from insurance companies and producers to operate in Montana
- o Security fees consist of portfolio notice filing fees collected under 30-10-209(1)(d),MCA and examination costs collected under 30-10-210, MCA

Funds remaining in the securities fees state special revenue account at fiscal yearend are transferred to the general fund.

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	0	0	0	0.00%	1,135,447	1,135,447	2,270,894	93.01%
Statewide PL Adjustments	0	0	0	0.00%	78,081	70,262	148,343	6.08%
Other PL Adjustments	0	0	0	0.00%	21,929	21,929	43,858	1.80%
New Proposals	0	0	0	0.00%	(10,778)	(10,778)	(21,556)	(0.88%)
Total Budget	\$0	\$0	\$0		\$1,224,679	\$1,216,860	\$2,441,539	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed 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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					116,475					115,932
Vacancy Savings					(38,168)					(38,159)
Inflation/Deflation					114					138
Fixed Costs					(340)					(7,649)
Total Statewide Present Law Adjustments		\$0	\$78,081	\$0	\$78,081		\$0	\$70,262	\$0	\$70,262
DP 101 - Rent Increase	0.00	0	21,929	0	21,929	0.00	0	21,929	0	21,929
Total Other Present Law Adjustments	0.00	\$0	\$21,929	\$0	\$21,929	0.00	\$0	\$21,929	\$0	\$21,929
Grand Total All Present Law Adjustments	0.00	\$0	\$100,010	\$0	\$100,010	0.00	\$0	\$92,191	\$0	\$92,191

DP 101 - Rent Increase - The legislature appropriated funds to cover the increased cost of additional leased office space. Base expenditures were \$65,579. Although the 2013 biennium lease cost increases above the base budget, it is lower than the amount anticipated by the 2009 Legislature.

New Proposals

New Proposals										
Program	FTE	-----Fiscal 2012-----				-----Fiscal 2013-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 95001 - 5% Plan - Central Management FTE and Operating										
01	(0.20)	0	(10,778)	0	(10,778)	(0.20)	0	(10,778)	0	(10,778)
Total	(0.20)	\$0	(\$10,778)	\$0	(\$10,778)	(0.20)	\$0	(\$10,778)	\$0	(\$10,778)

DP 95001 - 5% Plan - Central Management FTE and Operating - The legislature adopted the 5% budget reduction plan developed by the State Auditor as part of its budget submission in compliance with 17-7-111(3)(f), MCA. This reduction eliminates funds for 0.20 FTE and \$22,000 of securities fee state special revenue authority over the biennium.

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	54.00	54.00	58.00	58.00	54.00	58.00	4.00	7.41%
Personal Services	3,158,219	3,148,162	3,530,723	3,528,621	6,306,381	7,059,344	752,963	11.94%
Operating Expenses	1,376,367	2,037,678	2,240,331	1,871,659	3,414,045	4,111,990	697,945	20.44%
Equipment & Intangible Assets	9,057	0	9,057	9,057	9,057	18,114	9,057	100.00%
Benefits & Claims	10,253,392	11,498,655	10,678,166	10,678,166	21,752,047	21,356,332	(395,715)	(1.82%)
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$14,797,035	\$16,684,495	\$16,458,277	\$16,087,503	\$31,481,530	\$32,545,780	\$1,064,250	3.38%
State Special	14,797,035	16,684,495	16,458,277	16,087,503	31,481,530	32,545,780	1,064,250	3.38%
Other	0	0	0	0	0	0	0	n/a
Total Funds	\$14,797,035	\$16,684,495	\$16,458,277	\$16,087,503	\$31,481,530	\$32,545,780	\$1,064,250	3.38%

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 monitors the financial solvency of insurance companies, collects premium taxes and company fees, and audits 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 review form filings and rate filings to ensure compliance with the applicable insurance code. The Licensing Bureau licenses and provides 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 part of the Legal Unit, researches code and rule violations, including possible criminal violations, and recommends referral of cases to county attorneys for prosecution.

Program Highlights

Insurance Division Major Budget Highlights	
◆	<p>The Insurance Division 2013 biennium budget request grows \$1.1 million compared to the 2011 biennium due to:</p> <ul style="list-style-type: none"> • An increase of \$0.8 million in personal services costs to: <ul style="list-style-type: none"> ○ Make permanent 1.00 FTE for insurance forms review and 1.00 FTE for Insure Montana, both funded from one-time funding in the 2011 biennium ○ Add 2.00 new FTE for Insure Montana program administration • An increase of \$0.7 million in operating cost changes to: <ul style="list-style-type: none"> ○ Examine insurance companies ○ Annualize the cost of in-house administration of surplus lines insurance ○ Fund increases in office rent • A reduction of \$0.4 million in anticipation of proposed changes to the Insure Montana program to lower statutorily established income thresholds for premium assistance payments to individuals, which were not enacted into law

Program Narrative

As noted in the Highlights table the Insurance Division appropriation for the 2013 biennium is \$1.1 million greater than the 2011 biennium. The major changes to the Insurance Division budget are the result of increases of funding for 4.00 FTE and operating costs for rent increases and to examine insurance companies and administer the Insure Montana program. Budget increases are partially offset by reductions in premium assistance payments for the Insure Montana program, which is discussed in greater detail in the agency overview. Funding for the state funded high risk insurance pool – Montana Comprehensive Health Care Association – remains unchanged at \$925,000 per year.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding Table							
Insurance							
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013	
02000 Total State Special Funds	\$ 14,797,035	100.0%	\$ 16,458,277	100.0%	\$ 16,087,503	100.0%	
02235 Insurance Fee Account	3,858,696	26.1%	4,983,972	30.3%	4,644,718	28.9%	
02528 Captive Account	20,577	0.1%	51,971	0.3%	59,971	0.4%	
02769 Health Insurance Premium Assistanc	5,746,420	38.8%	6,337,767	38.5%	6,298,152	39.1%	
02770 Health Insurance Tax Credits	4,245,779	28.7%	4,159,004	25.3%	4,159,099	25.9%	
02789 6901-Chip/Mcha Tobacco Sett Fd	925,563	6.3%	925,563	5.6%	925,563	5.8%	
Grand Total	\$14,797,035	100.0%	\$16,458,277	100.0%	\$16,087,503	100.0%	

The Insurance Division is funded from three state special revenue sources:

- Insurance licensure fees, examination fees, and penalties, which fund program functions related to insurance regulation
- Health and Medicaid initiatives (tobacco taxes), which funds the Insure Montana program
- Tobacco settlement revenues, which supports premium subsidies for coverage through the Montana Comprehensive Health Association (MCHA)

The fund balance table for the health and Medicaid initiatives account is included in the agency funding discussion.

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	0	0	0	0.00%	14,797,035	14,797,035	29,594,070	90.93%
Statewide PL Adjustments	0	0	0	0.00%	186,737	161,650	348,387	1.07%
Other PL Adjustments	0	0	0	0.00%	1,740,560	1,432,760	3,173,320	9.75%
New Proposals	0	0	0	0.00%	(266,055)	(303,942)	(569,997)	(1.75%)
Total Budget	\$0	\$0	\$0		\$16,458,277	\$16,087,503	\$32,545,780	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed 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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					329,987					328,022
Vacancy Savings					(139,526)					(139,448)
Inflation/Deflation					1,610					1,713
Fixed Costs					(5,334)					(28,637)
Total Statewide Present Law Adjustments		\$0	\$186,737	\$0	\$186,737		\$0	\$161,650	\$0	\$161,650
DP 301 - Rent Increase	0.00	0	86,593	0	86,593	0.00	0	86,593	0	86,593
DP 302 - Insure Montana Present Law Request	0.00	0	956,596	0	956,596	0.00	0	956,596	0	956,596
DP 305 - Contract Examinations - Biennial	0.00	0	747,605	0	747,605	0.00	0	435,605	0	435,605
DP 306 - Financial Regulation - Captive Insurance Companies	0.00	0	32,630	0	32,630	0.00	0	28,830	0	28,830
DP 307 - Financial Regulation of Insurance Companies	0.00	0	10,713	0	10,713	0.00	0	10,713	0	10,713
DP 308 - Captives Insurance Regulatory and Supervision	0.00	0	32,423	0	32,423	0.00	0	40,423	0	40,423
DP 309 - Establish Surplus Lines Regulation In-House	0.00	0	34,000	0	34,000	0.00	0	34,000	0	34,000
DP 310 - IT Contract Reduction - Insure Montana	0.00	0	(160,000)	0	(160,000)	0.00	0	(160,000)	0	(160,000)
Total Other Present Law Adjustments	0.00	\$0	\$1,740,560	\$0	\$1,740,560	0.00	\$0	\$1,432,760	\$0	\$1,432,760
Grand Total All Present Law Adjustments	0.00	\$0	\$1,927,297	\$0	\$1,927,297	0.00	\$0	\$1,594,410	\$0	\$1,594,410

DP 301 - Rent Increase - The legislature added funds to cover the increased cost of additional leased office space. Base expenditures were \$183,962. 2013 biennium costs are lower than the FY 2011 appropriation approved by the 2009 Legislature.

DP 302 - Insure Montana Present Law Request - The legislature appropriated \$1.9 million of health and Medicaid initiatives tobacco tax state special revenue over the biennium for the Insure Montana program to restore funding to the level appropriated in FY 2010 in HB 2. Base expenditures were \$9.3 million, not including about \$540,000 from a one-time appropriation in HB 258. The program spent about 91% of the appropriated base budget in FY 2010 and estimated spending 95% of the FY 2011 appropriation (33-22-2008(3)(a)MCA limits expenditures to no more than 95% of the appropriated budget).

DP 305 - Contract Examinations - Biennial - The legislature appropriated \$1.2 million of insurance fee state special revenue over the biennium for insurance company reviews and examinations required by 33-1-401, MCA, which states: "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."

During the 2103 biennium, SAO plans to examine Allegiance, New West, Attorney's Liability Protection Society, two multiple employer welfare arrangements companies, Victory, Great West, and other companies deemed necessary by the Commissioner.

In addition, the appropriation will support market conduct exams of domiciled insurers. In the 2013 biennium SAO plans to examine the largest health insurer, Blue Cross Blue Shield, as well as Allegiance Life and Health Insurance Company, and Farmers Union Mutual.

The cost of examinations is paid by the companies being examined.

DP 306 - Financial Regulation - Captive Insurance Companies - The legislature appropriated about \$61,000 in state special revenue to examine captive insurers, which are also subject to the requirements of 33-1-401, MCA (noted in DP 305). Captive insurers are self insured industries.

In FY 2012, four risk retention group companies and eight pure captive companies would be examined and in FY 2013, three risk retention group companies and eight pure captive companies would be examined.

The cost of travel will be reimbursed by the companies being examined

DP 307 - Financial Regulation of Insurance Companies - The legislature appropriated about \$20,000 of state special revenue authority to examine insurance companies conducting business in Montana. The primary focus is on solvency and claims payment ability of the companies.

In FY 2012 and FY 2013, three farm mutual companies and one multiple employer welfare arrangement company would be examined annually. The examinations are performed by employees and the cost of travel is charged to the companies being examined.

DP 308 - Captives Insurance Regulatory and Supervision - The legislature appropriated \$73,000 of state special revenue authority to administer the Captive Insurance program and for reimbursement of reasonable expenses incurred in promoting the program. The account is funded through retention of 5% of the premium tax collected from captive insurance companies and all fees. The increase requested is reflective of the estimated growth in the Captive Insurance program and the related increase in premium tax collection.

DP 309 - Establish Surplus Lines Regulation In-House - The legislature appropriated \$68,000 of state special revenue to administer surplus lines insurance, which is specialty insurance provided for risks that are too big, unusual, or substandard to be covered by insurers licensed in the state of Montana. In July 2009, the SAO discontinued the contract to regulate surplus lines activity. According to 33-2-321 (5)(b), MCA , "If a surplus lines advisory organization is not operating as set forth in this section, the stamping fee may be collected by the commissioner and placed in a state special revenue account for the expenses of regulating surplus lines."

DP 310 - IT Contract Reduction - Insure Montana - The legislature reduced the information technology contract for Insure Montana. The SAO indicated that one-time costs in the base year would not be ongoing.

New Proposals

Program	FTE	-----Fiscal 2012-----				-----Fiscal 2013-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 303 - Insure Montana Authority Increase										
03	1.00	0	114,364	0	114,364	1.00	0	114,364	0	114,364
DP 304 - Continuation of Forms Analyst										
03	1.00	0	45,789	0	45,789	1.00	0	45,682	0	45,682
DP 305 - Limit Premium Assistance to 300% of Federal Poverty										
03	2.00	0	(425,179)	0	(425,179)	2.00	0	(462,959)	0	(462,959)
DP 95002 - 5% Plan - Insurance Division - Travel Captives										
03	0.00	0	(1,029)	0	(1,029)	0.00	0	(1,029)	0	(1,029)
Total	4.00	\$0	(\$266,055)	\$0	(\$266,055)	4.00	\$0	(\$303,942)	\$0	(\$303,942)

DP 303 - Insure Montana Authority Increase - The legislature approved the State Auditor request for about \$228,000 of health and Medicaid initiative tobacco tax state special revenue authority, including funding for 1.00 FTE.

DP 304 - Continuation of Forms Analyst - The legislature added about \$92,000 of insurance fee state special revenue to make permanent a forms analyst FTE that was funded from a one-time appropriation in the 2011 biennium. This position reviews insurance forms for compliance with 33-1-501, MCA. The Insurance Commissioner has 60 days from the date an insurance company files a draft form to approve or disapprove the proposed form. If the commissioner takes no action within the 60 day timeframe, the form will be deemed approved and used by the company.

DP 305 - Limit Premium Assistance to 300% of Federal Poverty - The legislature reduced funding for the premium assistance component of the Insure Montana program by \$888,138 over the biennium. The reduction reflects a legislative proposal that was discussed, but not adopted, to limit premium assistance to employees with household income less than 300% of the federal poverty level (\$67,050 for a family of four in 2011). The State Auditor's Office estimated that 805 employees would no longer qualify for assistance due to this change.

The legislature funded 2.00 new FTE to determine program eligibility and audit household income. The appropriation change also funded operating costs and computer system changes in FY 2012. A reduction in premium assistance payments offsets the employee and operating cost increases.

Eligibility changes for Insure Montana require an amendment to 33-22-2006, MCA, which was included in early drafts of HB 612. However, the provisions changing 33-22-2006, MCA were removed from the bill. Even though the premium assistance component of Insure Montana was not changed, the legislature did not reverse its action that reduced funding in HB 2.

DP 95002 - 5% Plan - Insurance Division - Travel Captives - The legislature accepted the 5% reduction plan submitted by the State Auditor with its budget request as required by 17-1-111-3(f), MCA. This action lowers state special revenue that funds travel costs by \$2,000 over the biennium.

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	11.50	11.50	12.00	12.00	11.50	12.00	0.50	4.35%
Personal Services	640,038	675,516	776,964	778,207	1,315,554	1,555,171	239,617	18.21%
Operating Expenses	181,335	306,555	237,546	232,195	487,890	469,741	(18,149)	(3.72%)
Equipment & Intangible Assets	1,894	0	1,894	1,894	1,894	3,788	1,894	100.00%
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$823,267	\$982,071	\$1,016,404	\$1,012,296	\$1,805,338	\$2,028,700	\$223,362	12.37%
State Special	823,267	982,071	1,016,404	1,012,296	1,805,338	2,028,700	223,362	12.37%
Total Funds	\$823,267	\$982,071	\$1,016,404	\$1,012,296	\$1,805,338	\$2,028,700	\$223,362	12.37%

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, 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 \$100 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 Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Securities Division 2013 biennium appropriation is about \$200,000 higher than the 2011 biennium due to: <ul style="list-style-type: none"> ● Continuing one-time funding for 1.00 attorney FTE funded from a one-time appropriation in the 2011 biennium ● Increasing funding for business examinations ● Funding increased rent costs ◆ The 2013 biennium increases are partially offset by adoption of the 5% budget reduction plan submitted by the State Auditor in compliance with 17-7-111(3)(f), MCA which: <ul style="list-style-type: none"> ● Removed funding for 0.50 FTE ● Reduced travel and communications ● Lowered contracted services for securities examinations

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding Table						
Securities						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
02000 Total State Special Funds	\$ 823,267	100.0%	\$ 1,016,404	100.0%	\$ 1,012,296	100.0%
02283 Securities Fee Account	823,267	100.0%	1,016,404	100.0%	1,012,296	100.0%
Grand Total	\$ 823,267	100.0%	\$ 1,016,404	100.0%	\$ 1,012,296	100.0%

The program 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 year end.

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	0	0	0	0.00%	823,267	823,267	1,646,534	81.16%
Statewide PL Adjustments	0	0	0	0.00%	69,272	65,407	134,679	6.64%
Other PL Adjustments	0	0	0	0.00%	72,740	72,740	145,480	7.17%
New Proposals	0	0	0	0.00%	51,125	50,882	102,007	5.03%
Total Budget	\$0	\$0	\$0		\$1,016,404	\$1,012,296	\$2,028,700	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed 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 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					94,859					96,407
Vacancy Savings					(29,395)					(29,457)
Inflation/Deflation					47					72
Fixed Costs					3,761					(1,615)
Total Statewide Present Law Adjustments		\$0	\$69,272	\$0	\$69,272		\$0	\$65,407	\$0	\$65,407
DP 401 - Rent Increase	0.00	0	31,348	0	31,348	0.00	0	31,348	0	31,348
DP 403 - Securities Contract Examination-Biennial	0.00	0	41,392	0	41,392	0.00	0	41,392	0	41,392
Total Other Present Law Adjustments	0.00	\$0	\$72,740	\$0	\$72,740	0.00	\$0	\$72,740	\$0	\$72,740
Grand Total All Present Law Adjustments	0.00	\$0	\$142,012	\$0	\$142,012	0.00	\$0	\$138,147	\$0	\$138,147

DP 401 - Rent Increase - The legislature added funds each fiscal year to cover the increased cost of additional leased office space. Base expenditures were \$33,007. Ongoing expenditures in the 2013 biennium are less than the FY 2011 appropriation approved by the 2009 Legislature.

DP 403 - Securities Contract Examination-Biennial - The legislature approved a biennial appropriation of about \$83,000 in state special revenue to contract for 20 more examinations of broker-dealer firms, broker-dealer firm branch offices, and investment advisor firms over the biennium. Base expenditures were \$23,608. An examination involves, on average, about 30 hours of field work and 90 hours of analysis.

The Securities Division conducts routine and for-cause examinations of the 455 broker-dealer branch offices and 59 investment advisory firms domiciled in Montana to ensure compliance with the Montana Securities Act, resolve minor deficiencies, and determine the need for further investigation. The examination section of the Securities Division employs one individual with the requisite knowledge and skills to conduct examinations and also hires independent contractors to perform routine examinations. Pursuant to 30-10-210(1), MCA, the cost of these examinations is borne by the firms being examined.

As a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank act), the Securities Division will be responsible for examination of investment adviser firms in Montana that have assets under management between \$25 million to \$100 million. Previous to the new federal law, states only regulated investment advisers with assets under management up to \$25 million and the Securities and Exchange Commissioner regulated the balance of the firms.

The SAO will assume regulation of seven more investment advisers that are domiciled in Montana with nearly \$400 million in assets under management. These investment advisor firms have never been examined, so the SAO plans to immediately examine the firms with a six-month follow-up. After the initial and follow-up examinations, the seven additional firms will be incorporated into the three-year rolling examination cycle.

New Proposals

Program	FTE	-----Fiscal 2012-----				-----Fiscal 2013-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 402 - Continuation of Legal FTE (OTO)										
04	1.00	0	92,042	0	92,042	1.00	0	91,799	0	91,799
DP 95003 - 5% Plan - Reduce Securities Operations										
04	(0.50)	0	(40,917)	0	(40,917)	(0.50)	0	(40,917)	0	(40,917)
Total	0.50	\$0	\$51,125	\$0	\$51,125	0.50	\$0	\$50,882	\$0	\$50,882

DP 402 - Continuation of Legal FTE (OTO) - The legislature continued one-time funding for 1.00 attorney FTE, which was also approved as a one-time appropriation in the last legislative session. The FTE is funded from security fees state special revenue. The FTE is currently filled and performs the following functions:

- Prosecutes securities and insurance fraud, criminally and administratively
- Provides legal analysis, as assigned, on issues relating to the Securities Act of Montana
- Assists in drafting administrative rules

The legislature requested that the SAO provide performance criteria so that the 2013 Legislature could evaluate the effectiveness of funding the FTE.

DP 95003 - 5% Plan - Reduce Securities Operations - The legislature accepted the 5% reduction plan submitted by the State Auditor with its budget request as required by 17-1-111-3(f), MCA. This action lowered state special revenue appropriations by \$82,000 over the biennium. In addition to reducing 0.50 FTE, travel, contracted services, and communications costs will be lowered. Fewer contracted examinations will be conducted.