

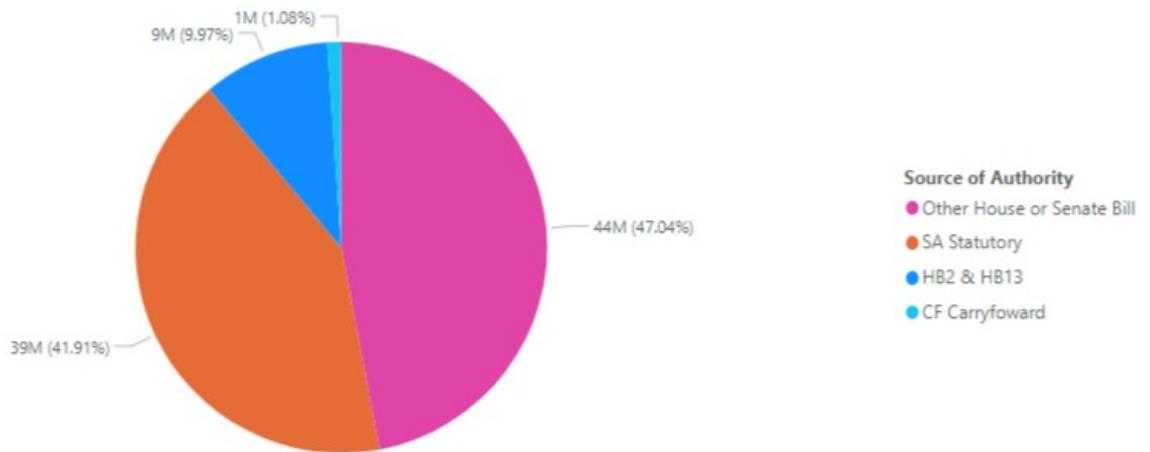
STATE AUDITOR'S OFFICE (SAO)

Total Appropriation Authority

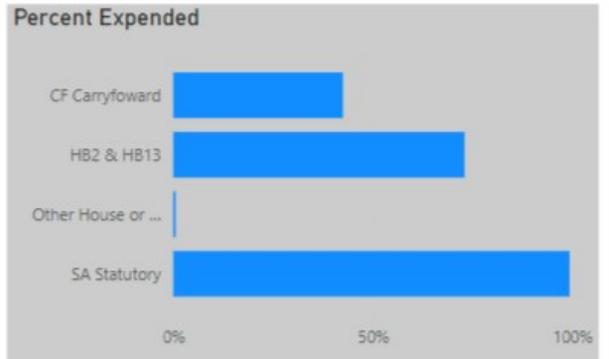
The total appropriation authority for the agency is shown in the pie chart below. HB 2 and HB 13 provide 10.0% of the total authority for this agency. All types of appropriation authority for this agency are described below, including total budget and the percent expended by source of authority.

State Auditor's Office

Total Appropriation Authority



Fiscal Year	2021		
LFD_src_auth_descr	Budget	FYE Expended	Percent Expended
CF Carryforward	1,011,134	430,140	42.5%
HB2 & HB13	9,344,398	6,825,661	73.0%
Other House or Senate Bill	44,100,000	256,030	0.6%
SA Statutory	39,294,843	39,044,499	99.4%
Total	93,750,375	46,556,329	49.7%



Carryforward

The State Auditor's Office has carryforward appropriation authority for two fiscal years included in the FY 2021 appropriation authority:

- FY 2019 \$430,140
- FY 2020 \$580,994

In FY 2021 the State Auditor' Office expended \$430,140 of FY 2019 carryforward for personal services related to salaries for employees.

Other Bills

HB 715

The 2019 Legislature included appropriations for the implementation of SB 125, the establishment of the Montana Reinsurance Program (MRP), for the State Auditor's Office in HB 715. State special revenue of \$10.0 million and federal special revenue of \$34.1 million was appropriated in FY 2021. MRP lowers premium rates by limiting the liability of insurers for higher cost claims within a specific range, \$40,000 to \$101,750. The establishment of MRP required a Section 1332 waiver of the Affordable Care Act which was granted by the Centers for Medicare and Medicaid Services (CMS) in August 2019. The waiver was authorized for calendar years 2020 through 2024.

MRP is funded through:

- 1.2% assessment on participating healthcare insurers
- Federal pass through funds granted through by CMS

In FY 2021, the State Auditor's Office collected \$10,032,581 in assessments from participating healthcare insurers for high cost claims made in calendar year 2020. The participating healthcare insurers have until August 15th to submit claims to the MRP administrator for reinsurance payments. If the healthcare insurer incurs claim costs above \$40,000 the insurer may request reimbursement for 60.0% of the costs up to the cap of \$101,750. The MRP administrator must make reinsurance payments by December 31st.

Due to the timing of the reinsurance payments, the MRP only incurred \$256,030 in expenditures in FY 2021 for the costs of administering the program.

HB 694

The Office of Budget and Program Planning transferred \$43,107 in state special revenue to the Securities Division for the implementation of HB 694. HB 694 revised annual licensing fees for investment-related advisors. The SAO anticipated the new process would require personal services for review of the applications and operating expenses for computers, rent, travel, and other miscellaneous costs. In FY 2021, the SAO did not expend any of the funds provided for the implementation as they were able to utilize existing resources for the review of the license applications.

Statutory Appropriations

The State Auditor’s Office is responsible for passing through funding for local police and firefighter retirement programs. The retirement programs are funded from general insurance (33-2-705, MCA) and firefighter insurance premium taxes (50-3-109, MCA). The premium taxes are deposited into the general fund and then a portion is transferred to the State Auditor’s Office for distribution to local governments. In FY 2021, SAO transferred \$39.0 million to local governments for police and firefighter pensions.

HB 2 Budget Modifications

The following chart shows the HB 2 budget as passed by the legislature, including the pay plan, and the ending FYE modified budget. Net modifications to the budget include operating plan changes from one expenditure account to another, program transfers, reorganizations, and agency transfers of authority. The **positive modifications** and **negative modifications** are shown by program, expenditure account, and fund type.

HB 2 Modifications State Auditor's Office

Agency Program	HB2 Budget	FYE Modified Budget	Net Modifications
01 CENTRAL MANAGEMENT	2,144,487	2,101,926	-42,561
03 INSURANCE	5,630,068	5,925,570	295,502
04 SECURITIES	1,176,820	1,316,902	140,082
Total	8,951,375	9,344,398	393,023

Expenditure Account	HB2 Budget	FYE Modified Budget	Net Modifications
61000 Personal Services	6,613,165	6,793,760	180,595
62000 Operating Expenses	2,330,216	2,536,906	206,690
63000 Equipment & Intangible Assets	7,994	7,994	0
69000 Debt Service		5,738	5,738

Fund Type	HB2 Budget	FYE Modified Budget	Net Modifications
02 State/Other Spec Rev	8,951,375	9,344,398	393,023

The State Auditor’s Office transferred 1.00 FTE and \$70,000 in related personal services from the Central Management Division to the Securities Division. The position was reclassified to a securities examiner as the SAO had a contract examiner that was no longer available to conduct the examinations.

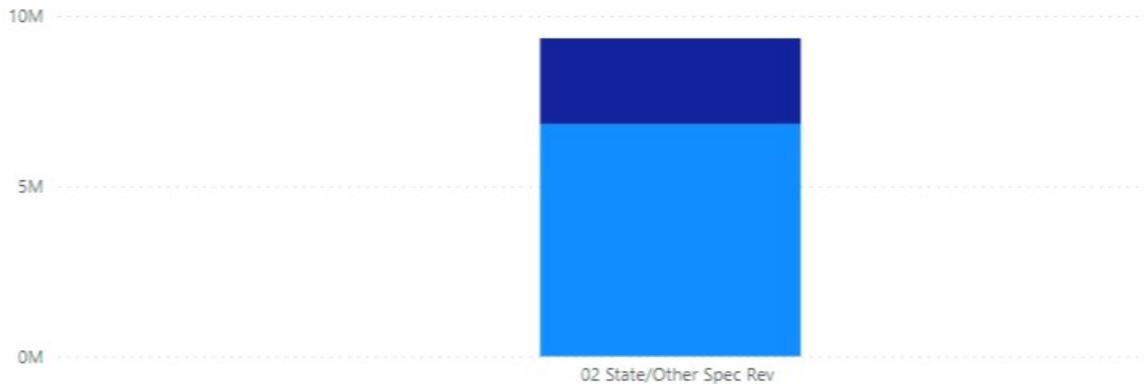
The Central Management, Insurance, and Securities Divisions transferred a total of \$5,738 to debt service to capitalize long term equipment leases as required by state accounting policy. The majority of the authority was transferred from operating expenses.

Continuing authority for biennial legislative audit appropriations of \$12,521 is included in budget modifications as are \$356,455 for biennial appropriation related to retirement pay and operations adjustments.

HB 2 APPROPRIATION AUTHORITY

HB 2 Expenditures

● FYE Expended ● Remaining Budget



Expenditure Account	FYE Modified Budget	FYE Expended	Percent Expended
61000 Personal Services	6,793,760	5,157,662	75.9%
62000 Operating Expenses	2,536,906	1,662,508	65.5%
63000 Equipment & Intangible Assets	7,994		
69000 Debt Service	5,738	5,491	95.7%
Total			
	9,344,398	6,825,661	73.0%

Agency Program	FYE Modified Budget	FYE Expended	Percent Expended
03 INSURANCE	5,925,570	4,197,920	70.8%
01 CENTRAL MANAGEMENT	2,101,926	1,506,315	71.7%
04 SECURITIES	1,316,902	1,121,426	85.2%
Total			
	9,344,398	6,825,661	73.0%

The State Auditor's Office has expended 73.0% of its modified HB 2 budget. State special revenues support the entire SAO HB 2 budget.

Personal services make up 72.7% of the FY 2021 HB 2 modified budget. As of June 2021, SAO had 18.50 FTE vacant or 24.8% of its HB 2 FTE. The vacancies are contributing to the lower than anticipated expenditures for personal services. In addition, the 2019 Legislature provided \$181,455 in restricted, biennial, one-time-only appropriations for anticipated retirement payouts. The SAO expended \$36,421 of the appropriations in FY 2021 or 20.1% of the funding provided.

Operating expenses for SAO are below the level anticipated in the budget including:

- Central Management Division had lower expenditures for many of the operating expenses including supplies and materials, communications, travel, rent, and other expenses. Both COVID-19 and vacant positions impacted spending on operating expenses
- The 2019 Legislature provided a biennial one-time-only state special revenue appropriation of \$350,000 for operating expenses to offset a reduction in FTE in the Insurance Division. SAO was able to conduct its operations without requiring any of the funding over the biennium

OTHER ISSUES

Required Reports

The State Auditor's Office did not have any budget amendments or operating plan changes or program transfers that require reporting to the Legislative Finance Committee.