

**Agency Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	12,501,672	14,161,725	1,660,053	13.28 %
Operating Expenses	4,245,482	6,582,579	2,337,097	55.05 %
Equipment & Intangible Assets	15,988	115,988	100,000	625.47 %
Grants	88,062,286	88,062,286	0	0.00 %
Debt Service	528,480	1,045,480	517,000	97.83 %
<b>Total Expenditures</b>	<b>\$105,353,908</b>	<b>\$109,968,058</b>	<b>\$4,614,150</b>	<b>4.38 %</b>
State/Other Special Rev. Funds	37,153,908	41,768,058	4,614,150	12.42 %
Federal Spec. Rev. Funds	68,200,000	68,200,000	0	0.00 %
<b>Total Funds</b>	<b>\$105,353,908</b>	<b>\$109,968,058</b>	<b>\$4,614,150</b>	<b>4.38 %</b>
<b>Total Ongoing</b>	<b>\$105,353,908</b>	<b>\$107,128,058</b>	<b>\$1,774,150</b>	<b>1.68 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$2,840,000</b>	<b>\$2,840,000</b>	<b>100.00 %</b>

**Mission Statement**

The Office of the Montana State Auditor (SAO) advocates for consumers while working to empower Montanans with more insurance options and timely information. The office endeavors to protect consumers from fraudulent and illegal practices, and to improve Montana’s economy by ensuring the securities and insurance industries can operate in a fair and efficient regulatory environment. The SAO is committed to serving all Montanans in a caring, professional, and ethical manner in performance of the duties of the office.

Please refer to the agency profile at <https://leg.mt.gov/lfid/appropriation-subcommittee-section-a/agency-state-auditors-office/> for additional information about the agency’s organization structure, historical expenditures, FY 2022 expenditure dashboard, recent studies, audits, and legislation.

Agency Highlights

<b>State Auditor's Office Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The State Auditor's Office 2025 biennium ongoing budget request is about \$1.8 million or 1.7% higher than the 2023 ongoing biennium budget. In addition to the ongoing budget, the executive is requesting \$2.8 million in one-time-only funding</li> <li>• Proposed changes include the statewide present law adjustments for personal services, fixed costs, and inflation</li> <li>• The executive is requesting \$220,000 in FY 2024 and \$320,000 in FY 2025 one-time-only funding for the Exams Bureau, these amounts are estimated based on the number of companies to be examined and the size and complexity of those companies</li> <li>• The executive is requesting \$1.0 million in each FY 2024 and FY 2025 one-time-only funding for contracting for market conduct exams of regulated insurance companies</li> <li>• The executive is requesting an increase of \$50,000 in FY 2024 and \$150,000 in FY 2025 one-time-only funding for the captive regulatory fund due to the passage of SB 76 in the 2021 legislative session, which increased the amount retained from 5% of the premium tax collected to 20% of the premium tax</li> <li>• The executive is requesting \$100,000 one-time-only equipment budget in the 2025 biennium for case management software to centralize, standardize, and efficiently track all the data captured</li> </ul>

Agency Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	72.50	72.50	72.50	72.50
Personal Services	5,301,787	6,107,390	6,394,282	7,060,861	7,100,864
Operating Expenses	1,293,841	1,998,769	2,246,713	3,212,627	3,369,952
Equipment & Intangible Assets	0	7,994	7,994	107,994	7,994
Grants	13,473,919	44,031,143	44,031,143	44,031,143	44,031,143
Debt Service	499,788	522,740	5,740	522,740	522,740
<b>Total Expenditures</b>	<b>\$20,569,335</b>	<b>\$52,668,036</b>	<b>\$52,685,872</b>	<b>\$54,935,365</b>	<b>\$55,032,693</b>
State/Other Special Rev. Funds	2,871,109	18,568,036	18,585,872	20,835,365	20,932,693
Federal Spec. Rev. Funds	17,698,226	34,100,000	34,100,000	34,100,000	34,100,000
<b>Total Funds</b>	<b>\$20,569,335</b>	<b>\$52,668,036</b>	<b>\$52,685,872</b>	<b>\$54,935,365</b>	<b>\$55,032,693</b>
<b>Total Ongoing</b>	<b>\$20,569,335</b>	<b>\$52,668,036</b>	<b>\$52,685,872</b>	<b>\$53,565,365</b>	<b>\$53,562,693</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,370,000</b>	<b>\$1,470,000</b>

## Agency Discussion

### *FY 2022 Appropriation Compared to FY 2022 Actual Expenditures*

The State Auditor's Office expended 39.1% of its \$52.7 million FY 2022 modified HB 2 budget. Personal services were 86.8% expended, operating expenses were 64.7% expended, equipment & intangible assets were 0.0% expended, grants were 30.6% expended, and debt service was 95.6% expended.

Vacancies within the various programs drove lower expenditures for personal services.

In FY 2022, the Insurance Program received \$9.9 million state special revenue and \$34.1 million in federal special revenue grant appropriation for the Montana Reinsurance Program (MRP) established by the 2019 Legislature. \$7.8 million in state special revenue, and \$17.6 million in federal special revenue was expended in FY 2022. The MRP is funded through 1.2% assessments on participating healthcare insurers and federal pass-through funds granted by the Centers for Medicare and Medicaid Services (CMS). \$10.0 million was assessed to Montana insurers in FY 2021 based on premium volume. \$9.9 million was collected in FY 2022 and will be used to make reimbursements for calendar year 2021. The funds are deposited into the state special revenue fund and used as a match to draw down federal revenues. The MRP required a Section 1332 waiver of the Affordable Care Act (ACA), which was granted by the CMS in August 2019. The waiver was authorized for calendar years 2020 through 2024.

### *FY 2022 Appropriations Compared to FY 2023 Appropriations*

Personal services are higher in FY 2023 due to the statewide pay plan adjustments, changes to benefit and tax rates, and longevity adjustments.

### *Comparison of the FY 2023 Legislative Budget to FY 2023 Base*

The figure below illustrates the beginning FY 2023 budget as adopted by the 2021 Legislature compared to the finalized FY 2023 base budget, which included modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2023 base budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2025 biennium budgeting process.

FY 2023 Legislative Appropriations State Auditors Office				
	Legislative Action	Executive Modifications	Base Budget	% Change
<b>01 CENTRAL MANAGEMENT</b>				
61000 Personal Services	1,398,622	44,289	1,442,911	3.2%
62000 Operating Expenses	648,954	(1,800)	647,154	-0.3%
63000 Equipment & Intangible Assets	1,683	-	1,683	0.0%
69000 Debt Service	0	1,800	1,800	100.0%
<b>01 CENTRAL MANAGEMENT Total</b>	<b>2,049,259</b>	<b>44,289</b>	<b>2,093,548</b>	<b>2.2%</b>
<b>03 INSURANCE</b>				
61000 Personal Services	3,804,283	-	3,804,283	0.0%
62000 Operating Expenses	1,442,908	(3,090)	1,439,818	-0.2%
63000 Equipment & Intangible Assets	5,109	-	5,109	0.0%
66000 Grants	44,031,143	-	44,031,143	0.0%
69000 Debt Service	0	3,090	3,090	100.0%
<b>03 INSURANCE Total</b>	<b>49,283,443</b>	<b>-</b>	<b>49,283,443</b>	<b>0.0%</b>
<b>04 SECURITIES</b>				
61000 Personal Services	1,191,377	(44,289)	1,147,088	-3.7%
62000 Operating Expenses	160,591	(850)	159,741	-0.5%
63000 Equipment & Intangible Assets	1,202	-	1,202	0.0%
69000 Debt Service	0	850	850	100.0%
<b>04 SECURITIES Total</b>	<b>1,353,170</b>	<b>(44,289)</b>	<b>1,308,881</b>	<b>-3.3%</b>
<b>34010 STATE AUDITORS OFFICE Total</b>	<b>52,685,872</b>	<b>-</b>	<b>52,685,872</b>	<b>0.0%</b>

The State Auditor’s Office legislative action budget is higher than previous biennia due to the implementation of HB 715, enacted by the 2019 Legislature, which established \$44.2 million in state and federal special revenue base budget authority for the Montana Reinsurance Association Act (MRAA). The purpose of the MRAA is to stabilize the individual health insurance market, maintain competition, and reduce health insurance premiums.

The State Auditor’s Office moved 0.50 FTE from the Securities program to the Central Management program and reclassified the position to a human resources assistant to support the agency’s human resource needs. Operating authority was moved to debt service authority to comply with updated accounting guidance for leases.

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

*Executive Request*

The State Auditor’s Office proposed 2025 biennium budget is \$4.6 million or 4.4% more than the 2023 biennium budget.

Personal services were about \$6.4 million or 12.1% of the FY 2023 base budget appropriations. The executive proposes an increase of about \$667,000 in FY 2024 and \$707,000 in FY 2025 in personal services. The increase is due to changes included in statewide present law adjustments. These changes are discussed in detail in the Agency Personal Services narrative.

Operating expenses were \$2.2 million or 4.3% of the FY 2023 base budget. The executive proposes an increase of about \$966,000 in FY 2024 and \$1.1 million in FY 2025 related to State Information Technology Services Division costs.

The executive proposes a \$100,000 increase in equipment and intangible assets in FY 2024.

*Elected Official Request*

As a courtesy to elected officials, the LFD Budget Analysis includes any proposals they intend to bring to the legislature that are different and/or excluded from the executive budget. The Commissioner of Securities and Insurance, Commissioner Downing, does not intend to add any requests outside of what is being propose in the executive budget.

*5.0% Plan*

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. For the State Auditor's Office, the 5.0% plan includes reductions totaling approximately \$355,000 in state special revenue. The plan includes potential reductions in contracted services, travel, training, education, computer replacements, and other legal costs. Impacts if the reductions were implemented include reductions in actuarial contracts, financial and market examinations, and reductions in agency contracts with hearing examiners and other legal experts as needed to enforce statutes to protect consumers and for representation of the agency as needed.

A summary of the entire 2025 biennium 5.0% plan submitted for this agency can be found online at the Section A subcommittee page.

*Right to Know Requests*

The State Auditor's Office received 12 right to know requests in FY 2022. Approximately 30 hours of staff time was utilized to process these internally handled requests at a cost of approximately \$900. No revenues were collected to offset the FY 2022 right to know requests.

*Agency Goals and Objectives*

Statute requires that agencies submit a statement of the agency mission and a statement of goals and objectives for each program of the agency. The goals and objectives are required to be concise, specific, quantifiable, and measurable. Goals and objectives, submitted by the agency, are included in the agency profile webpage.

**Agency Personal Services**

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP 1) has been broken down into three categories, as follows:

- Legislatively approved changes – This category includes adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs included in the FY 2023 statewide pay plan adjustments, changes to benefit rates, increases in pay approved by the legislature, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management decisions – This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring full time equivalent (FTE) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications – This category includes other modifications to the FY 2023 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or transfers to move personal services funding to or from other expenditure categories (e.g., moving funding from operating expenses to personal services)

The figure below shows the analysis of the executive budget for personal services for each program.

State Auditors Office Personal Services Present Law DP 1 - FY 2024				
Program	Legislative Changes	Management Changes	Total Budget Modification	DP1 FY 2024
01 CENTRAL MANAGEMENT	\$ 44,418	\$ 90,594	-	\$ 135,012
03 INSURANCE	104,867	243,117	-	347,984
04 SECURITIES	39,747	143,836	-	183,583
06 LOCAL ASSISTANCE TO COUNTIES	-	-	-	-
Agency Total	\$ 189,032	\$ 477,547	\$ -	\$ 666,579

Changes included in the statewide present law adjustment are mostly due to management decisions, with the majority of the increase due to promotions and reclassifying several positions within the agency.

**Funding**

The following table shows proposed agency funding for all sources of authority.

Total State Auditor's Office Funding by Source of Authority 2025 Biennium Budget Request - State Auditor's Office						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	88,907,324	88,907,324	44.64 %
State Special Total	38,928,058	2,840,000	0	300,000	42,068,058	21.12 %
Federal Special Total	68,200,000	0	0	0	68,200,000	34.24 %
Proprietary Total	0	0	0	0	0	0.00 %
Other Total	0	0	0	0	0	0.00 %
<b>Total All Funds</b>	<b>\$107,128,058</b>	<b>\$2,840,000</b>	<b>\$0</b>	<b>\$89,207,324</b>	<b>\$199,175,382</b>	
<b>Percent - Total All Sources</b>	<b>53.79 %</b>	<b>1.43 %</b>	<b>0.00 %</b>	<b>44.79 %</b>		

*HB 2 Funding*

State Special Revenue

The operations of the State Auditor's Office are funded with state special revenue and federal special revenue. There are two state special revenue funds that account for the majority of the funding in the office: the insurance fee account and the securities fee account. The State Auditor's Office is responsible for passing through funding for local police and firefighter retirement programs. The premium taxes are deposited into the general fund and statutorily appropriated to the State Auditor's Office for distribution to local governments.

Federal Special Revenue

Federal Special revenues are received for the Montana Reinsurance Program. Under the Affordable Care and Patient Protection Act (ACA), states can apply for a section 1332 waiver. The State Auditor's Office was granted this waiver in August 2019 allowing the state to utilize annual assessments on health insurance plan premiums to be used with federal funds to offset expenses of health insurers associated with high-cost individuals who generally incur higher medical claims.

Statutory Authority

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. Because these funds are statutorily appropriated, the appropriations are not included in the general appropriations act (HB 2)

**Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	0	0	0	0.00 %	52,685,872	52,685,872	105,371,744	95.82 %
SWPL Adjustments	0	0	0	0.00 %	879,493	876,821	1,756,314	1.60 %
PL Adjustments	0	0	0	0.00 %	1,370,000	1,470,000	2,840,000	2.58 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$54,935,365</b>	<b>\$55,032,693</b>	<b>\$109,968,058</b>	

**HB 2 Language -**

The executive budget does not propose any HB 2 language for the State Auditor’s Office.

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	2,709,693	3,162,936	453,243	16.73 %
Operating Expenses	1,307,737	1,146,698	(161,039)	(12.31)%
Equipment & Intangible Assets	3,366	3,366	0	0.00 %
Debt Service	128,600	253,600	125,000	97.20 %
<b>Total Expenditures</b>	<b>\$4,149,396</b>	<b>\$4,566,600</b>	<b>\$417,204</b>	<b>10.05 %</b>
State/Other Special Rev. Funds	4,149,396	4,566,600	417,204	10.05 %
<b>Total Funds</b>	<b>\$4,149,396</b>	<b>\$4,566,600</b>	<b>\$417,204</b>	<b>10.05 %</b>
<b>Total Ongoing</b>	<b>\$4,149,396</b>	<b>\$4,566,600</b>	<b>\$417,204</b>	<b>10.05 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>

**Program Description**

The Central Management Division is responsible for the administrative, personnel, budgeting, and accounting functions for the office. The division also provides support to the commissioner in fulfilling the duties as a member of the Land Board and Crop Hail Insurance Board.

**Program Highlights**

<b>Central Management Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Central Management Division's 2025 biennium budget request is about \$417,000 or 10.1% higher than the 2023 biennium budget</li> <li>• Proposed changes are those included in statewide present law adjustments for personal services, fixed costs, and inflation</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	16.50	16.50	16.50	16.50
Personal Services	1,081,510	1,266,782	1,442,911	1,577,923	1,585,013
Operating Expenses	469,445	660,583	647,154	578,563	568,135
Equipment & Intangible Assets	0	1,683	1,683	1,683	1,683
Debt Service	110,248	126,800	1,800	126,800	126,800
<b>Total Expenditures</b>	<b>\$1,661,203</b>	<b>\$2,055,848</b>	<b>\$2,093,548</b>	<b>\$2,284,969</b>	<b>\$2,281,631</b>
State/Other Special Rev. Funds	1,661,203	2,055,848	2,093,548	2,284,969	2,281,631
<b>Total Funds</b>	<b>\$1,661,203</b>	<b>\$2,055,848</b>	<b>\$2,093,548</b>	<b>\$2,284,969</b>	<b>\$2,281,631</b>
<b>Total Ongoing</b>	<b>\$1,661,203</b>	<b>\$2,055,848</b>	<b>\$2,093,548</b>	<b>\$2,284,969</b>	<b>\$2,281,631</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Program Discussion -**

*FY 2022 Appropriations Compared to FY 2022 Actual Expenditures*

Central Management expended 80.8% of its \$2.1 million modified HB 2 budget in FY 2022. Personal services were 85.4% expended, operating expenses were 71.1% expended, and debt service was 86.9% expended.

Personal services are lower than anticipated in the budget due to vacancies within the office. Central Management has 2.50 FTE vacant as of August 1, 2022. Of these positions, 1.00 FTE has been vacant since December 16, 2019, 1.00 FTE since July 1, 2021, and the 0.50 FTE that was transferred from the Securities Division has not been filled. The vacancies are the reason for lower personal services expenditures in FY 2022.

Operating expenses are below levels anticipated in the FY 2022 modified HB 2 budget due to lower costs for Information Technology Services Division services and reduced spending on office equipment and computer hardware.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

FY 2023 appropriations are higher than FY 2022. Personal services are higher in FY 2023 due to the legislative approved pay plan increase. A .50 FTE was moved from the Securities Division to Central Management for a human resources assistant. Appropriations will need to be moved from operating to debt service to properly record lease payments with the new accounting guidance.

*Executive Request*

The Central Management Division budget proposed by the executive is \$417,000 or 10.0% higher than the 2023 biennium budget.

Personal services were about \$1.4 million or 68.9% of the FY 2023 base budget. The executive proposes an increase of about \$135,000 in FY 2024 and about \$142,000 in FY 2025. The increases are included in the statewide present law adjustments for personal services discussed in the following Program Personal Services narrative.

Operating expenses were about \$647,000 or 30.9% of the FY 2023 base budget. The executive proposes a decrease of about \$69,000 in FY 2024 and \$79,000 in FY 2025. The overall decrease is due to the statewide present law adjustments for fixed costs and inflation increases, offset by the \$125,000 proposal to decrease operating expenses and moving that authority to debt service for lease expenditures.

**Program Personal Services**

Personal services were about \$1.4 million or 68.9% of the FY 2023 base budget. The executive proposes a statewide present law increase of about \$135,000 in FY 2024 and \$142,000 in FY 2025. In addition to the expected changes, the

2025 biennium personal service statewide present law adjustment includes management decisions including:

- Broadband pay raises and wage changes due to employee turnover
- Reclassification of positions for recruitment and retention

**Funding**

The following table shows proposed agency funding for all sources of authority.

State Auditor's Office, 01-Central Management Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02235 Insurance Fee Account	3,677,588	0	0	0	3,677,588	80.53 %	
02283 Securities Fee Account	889,012	0	0	0	889,012	19.47 %	
<b>State Special Total</b>	<b>\$4,566,600</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,566,600</b>	<b>100.00 %</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$4,566,600</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,566,600</b>		

The Centralized Management Division is funded entirely with state special revenue. Insurance and securities fees are the two sources of funding, with the insurance fee account supporting the majority of the appropriations for the division.

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	0	0	0	0.00 %	2,093,548	2,093,548	4,187,096	91.69 %
SWPL Adjustments	0	0	0	0.00 %	191,421	188,083	379,504	8.31 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$2,284,969</b>	<b>\$2,281,631</b>	<b>\$4,566,600</b>	

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	135,012	0	135,012	0.00	0	142,102	0	142,102
DP 2 - Fixed Costs	0.00	0	25,819	0	25,819	0.00	0	12,140	0	12,140
DP 3 - Inflation Deflation	0.00	0	30,590	0	30,590	0.00	0	33,841	0	33,841
DP 5 - Debt Service Reclassification	0.00	0	0	0	0	0.00	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$191,421</b>	<b>\$0</b>	<b>\$191,421</b>	<b>0.00</b>	<b>\$0</b>	<b>\$188,083</b>	<b>\$0</b>	<b>\$188,083</b>

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

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 5 - Debt Service Reclassification -

The executive requests to moves \$125,000 in budget authority from operating to debt service in FY 2024 and FY 2025 to allow the division to record building rental payments in accordance with new accounting requirements.

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	7,558,805	8,328,750	769,945	10.19 %
Operating Expenses	2,608,219	5,241,635	2,633,416	100.97 %
Equipment & Intangible Assets	10,218	10,218	0	0.00 %
Grants	88,062,286	88,062,286	0	0.00 %
Debt Service	316,180	626,180	310,000	98.05 %
<b>Total Expenditures</b>	<b>\$98,555,708</b>	<b>\$102,269,069</b>	<b>\$3,713,361</b>	<b>3.77 %</b>
State/Other Special Rev. Funds	30,355,708	34,069,069	3,713,361	12.23 %
Federal Spec. Rev. Funds	68,200,000	68,200,000	0	0.00 %
<b>Total Funds</b>	<b>\$98,555,708</b>	<b>\$102,269,069</b>	<b>\$3,713,361</b>	<b>3.77 %</b>
<b>Total Ongoing</b>	<b>\$98,555,708</b>	<b>\$99,529,069</b>	<b>\$973,361</b>	<b>0.99 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$2,740,000</b>	<b>\$2,740,000</b>	<b>100.00 %</b>

**Program Description**

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

Program Highlights

<b>Insurance Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Insurance Division's 2025 ongoing biennium budget request is about \$973,000 or 1.0% higher than the 2023 ongoing biennium budget. In addition to the ongoing budget, the executive is requesting approximately \$2.7 million in one-time-only funding</li> <li>• Proposed changes are those included in statewide present law adjustments for personal services, fixed costs, and inflation</li> <li>• The executive is requesting \$220,000 in FY 2024 and \$320,000 in FY 2025 one-time-only funding for the Exams Bureau. These amounts are estimated based on the number of companies to be examined and the size and complexity of those companies</li> <li>• The executive is requesting \$1.0 million in each FY 2024 and FY 2025 one-time-only funding for contracting for market conduct exams of regulated insurance companies</li> <li>• The executive is requesting an increase of \$50,000 in FY 2024 and \$150,000 in FY 2025 one-time-only funding for the captive regulatory fund due to the passage of SB 76 in the 2021 legislative session, which increased the amount retained from 5% of the premium tax collected to 20% of the premium tax</li> </ul>

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	44.00	44.00	44.00	44.00
Personal Services	3,327,909	3,754,522	3,804,283	4,152,267	4,176,483
Operating Expenses	714,337	1,168,401	1,439,818	2,532,378	2,709,257
Equipment & Intangible Assets	0	5,109	5,109	5,109	5,109
Grants	13,473,919	44,031,143	44,031,143	44,031,143	44,031,143
Debt Service	308,692	313,090	3,090	313,090	313,090
<b>Total Expenditures</b>	<b>\$17,824,857</b>	<b>\$49,272,265</b>	<b>\$49,283,443</b>	<b>\$51,033,987</b>	<b>\$51,235,082</b>
State/Other Special Rev. Funds	126,631	15,172,265	15,183,443	16,933,987	17,135,082
Federal Spec. Rev. Funds	17,698,226	34,100,000	34,100,000	34,100,000	34,100,000
<b>Total Funds</b>	<b>\$17,824,857</b>	<b>\$49,272,265</b>	<b>\$49,283,443</b>	<b>\$51,033,987</b>	<b>\$51,235,082</b>
<b>Total Ongoing</b>	<b>\$17,824,857</b>	<b>\$49,272,265</b>	<b>\$49,283,443</b>	<b>\$49,763,987</b>	<b>\$49,765,082</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,270,000</b>	<b>\$1,470,000</b>

**Program Discussion -***FY 2022 Appropriations Compared to FY 2022 Actual Expenditures*

The Insurance Division expended 36.2% of its \$49.3 million FY 2022 modified HB 2 budget. Personal services were 88.6% expended, operating expenses were 61.1% expended, and grants were 30.6% expended.

As of August 1, 2022, the Insurance Division had 4.00 FTE vacant or 9.1% of its HB 2 positions. The vacancies are driving the lower expenditures for personal services.

The 2019 Legislature established the Montana Reinsurance Program with SB 125. SB 125 established \$44.0 million in appropriation authority for grants associated with providing a reinsurance option for Montana healthcare insurers. In April 2019 after SB 125 was signed into law, the Board of Directors for the program were appointed. A request for a waiver from section 1332 of the Affordable Care and Patient Protection Act allowing the Montana Reinsurance Program was submitted to the federal government and approved in August with an effective date of January 1, 2020. The program is now starting to receive the requests for the grant as the claims are starting to come through.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

FY 2023 appropriations are slightly higher than FY 2022. Personal services are higher in FY 2023 due to the statewide present law adjustments. Operating expenses are higher in FY 2023 due to a biennial appropriation for legislative audit services included in FY 2022 appropriations.

*Executive Request*

The Insurance Division 2025 biennium budget proposed by the executive is \$962,000 or 1.0% more than the ongoing 2023 biennium budget.

Personal services were about \$3.8 million or 7.7% of the ongoing FY 2023 base budget. The executive proposes an increase from the FY 2023 base budget in both years, about \$348,000 in FY 2024 and \$372,00 in FY 2025. These changes are discussed in the following Program Personal Services narrative.

Ongoing operating expenses were about \$1.4 million or 2.9% of the FY 2023 base budget. The executive proposes an increase of approximately \$1.1 million in FY 2024 and \$1.3 million in FY 2025. Increases for the biennial legislative audit and statewide indirect costs included in the statewide present law adjustments for fixed costs drive the proposed changes.

Grant appropriations were \$44.0 million or 89.3% of the FY 2023 base budget and are proposed at the same level for the 2025 biennium budget.

**Program Personal Services**

Personal services were about \$3.8 million or 7.7% of the ongoing FY 2023 base budget. The executive proposes a statewide present law adjustment increase of about \$348,000 in FY 2024 and \$372,000 in FY 2025. In the Insurance Division, 4.00 FTE were vacant at the time the budget was developed. In addition to the expected changes, the 2025 biennium personal services statewide present law adjustment includes management decisions including:

- Broadband pay raises and wage changes due to employee turnover
- Reclassification of positions for recruitment and retention

**Funding**

The following table shows proposed agency funding for all sources of authority.

State Auditor's Office, 03-Insurance Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	0	0	0	0	0	0.00 %	
02235 Insurance Fee Account	10,734,199	2,540,000	0	0	13,274,199	38.96 %	
02528 Captive Account	732,584	200,000	0	0	932,584	2.74 %	
02769 Prem Assist for Small Employer	0	0	0	0	0	0.00 %	
02323 Reinsurance Assessment SB 125	19,862,286	0	0	0	19,862,286	58.30 %	
<b>State Special Total</b>	<b>\$31,329,069</b>	<b>\$2,740,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$34,069,069</b>	<b>33.31 %</b>	
03543 Reinsurance Federal SB 125	68,200,000	0	0	0	68,200,000	100.00 %	
<b>Federal Special Total</b>	<b>\$68,200,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$68,200,000</b>	<b>66.69 %</b>	
06043 REINSURANCE	0	0	0	0	0	0.00 %	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$99,529,069</b>	<b>\$2,740,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$102,269,069</b>		

The Insurance Division state authority is funded entirely with state special revenue. A portion of the funding is from the insurance fee account, which is supported by insurance licensure fees, examination fees, and penalties. The Insurance Division also has appropriated funds from the captive account which support the administration of the Captive Insurance Program. Fees and assessments from captive insurance providers are deposited into the state special revenue fund while fines and penalties are deposited into the general fund. At the end of the fiscal year, the balance of the captive account is transferred to the general fund.

The 2019 Legislature established the reinsurance program account within the state special revenue funds in SB 125. All assessments of 1.2% of total premium volume for members of the Montana Reinsurance Program, interest and income earned on the account, and any other funds accepted for the benefit of the account are deposited into the fund to provide support for the program.

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	0	0	0	0.00 %	49,283,443	49,283,443	98,566,886	96.38 %
SWPL Adjustments	0	0	0	0.00 %	480,544	481,639	962,183	0.94 %
PL Adjustments	0	0	0	0.00 %	1,270,000	1,470,000	2,740,000	2.68 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$51,033,987</b>	<b>\$51,235,082</b>	<b>\$102,269,069</b>	

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	Fiscal 2024					Fiscal 2025				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
DP 1 - Personal Services	0.00	0	347,984	0	347,984	0.00	0	372,200	0	372,200
DP 2 - Fixed Costs	0.00	0	79,334	0	79,334	0.00	0	40,105	0	40,105
DP 3 - Inflation Deflation	0.00	0	53,226	0	53,226	0.00	0	69,334	0	69,334
DP 4 - Captive Regulatory Fund OTO	0.00	0	50,000	0	50,000	0.00	0	150,000	0	150,000
DP 5 - Debt Service Reclassification	0.00	0	0	0	0	0.00	0	0	0	0
DP 21 - Exams Bureau OTO	0.00	0	220,000	0	220,000	0.00	0	320,000	0	320,000
DP 31 - Market Conduct Exams OTO	0.00	0	1,000,000	0	1,000,000	0.00	0	1,000,000	0	1,000,000
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,750,544</b>	<b>\$0</b>	<b>\$1,750,544</b>	<b>0.00</b>	<b>\$0</b>	<b>\$1,951,639</b>	<b>\$0</b>	<b>\$1,951,639</b>

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

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include, warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 4 - Captive Regulatory Fund OTO -

The executive is requesting a budget increase due to the passage of SB 76 in the 2021 Legislative Session. SB 76 increased the percentage of captive insurance company premium tax that is retained to regulate and promote captive insurance in Montana. SB 76 increased the amount retained by the State Auditor's Office from 5% of the premium tax collected to 20% of the premium tax.

DP 5 - Debt Service Reclassification -

The executive requests to move \$310,000 in budget authority from operating to debt service in FY 2024 and FY 2025 to allow the division to record building rental payments in accordance with new accounting requirements.

DP 21 - Exams Bureau OTO -

The executive requests additional funding since the year-to-year funding requirement can fluctuate significantly based on the number of companies to be examined and the size and complexity of those companies. The contract payments will be from state special revenue and are reimbursed to the agency from the company being examined.

Per the direction of 33-1-401(1), MCA, the commissioner shall examine each authorized insurer not less frequently than every 5 years. Section 33-1-408(4), MCA, allows the commissioner to retain attorneys, appraisers, independent actuaries, independent certified public accountants, or other professionals and specialist as examiners. The amount of funding required per fiscal year to retain contracted services is a function of the examination schedule established by the commissioner.

DP 31 - Market Conduct Exams OTO -

The executive requests authority for the State Auditor's Office to contract and complete market conduct exams of regulated insurance companies. Section 33-1-408(4), MCA, allows that upon determining that an examination should be conducted, the commissioner may retain attorneys, appraisers, independent actuaries, independent certified public accountants, or other professionals and specialists as examiners. The cost of retaining the personnel must be paid by the company that is the subject of the examination.

The amount of funding required per fiscal year to retain contracted services is a function of the examination schedule established by the commissioner and planning for unforeseen examinations required to address emerging market conduct issues. The year-to-year funding requirement can fluctuate significantly based on the number of companies to be examined, the size and scope of the examinations, and complexity of the company being examined.

**Program Biennium Comparison**

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	2,233,174	2,670,039	436,865	19.56 %
Operating Expenses	329,526	194,246	(135,280)	(41.05)%
Equipment & Intangible Assets	2,404	102,404	100,000	4,159.73 %
Debt Service	83,700	165,700	82,000	97.97 %
<b>Total Expenditures</b>	<b>\$2,648,804</b>	<b>\$3,132,389</b>	<b>\$483,585</b>	<b>18.26 %</b>
State/Other Special Rev. Funds	2,648,804	3,132,389	483,585	18.26 %
<b>Total Funds</b>	<b>\$2,648,804</b>	<b>\$3,132,389</b>	<b>\$483,585</b>	<b>18.26 %</b>
<b>Total Ongoing</b>	<b>\$2,648,804</b>	<b>\$3,032,389</b>	<b>\$383,585</b>	<b>14.48 %</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>100.00 %</b>

**Program Description**

The Securities Division is responsible for the administration and enforcement of the Securities Act of Montana and 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**

<b>Securities Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Securities Division's 2025 biennium budget request is about \$483,500 or 18.3% higher than the 2023 biennium budget</li> <li>• Proposed changes are those included in statewide present law adjustments for personal services, fixed costs, and inflation</li> </ul>

**Program Actuals and Budget Comparison**

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	12.00	12.00	12.00	12.00
Personal Services	892,368	1,086,086	1,147,088	1,330,671	1,339,368
Operating Expenses	110,059	169,785	159,741	101,686	92,560
Equipment & Intangible Assets	0	1,202	1,202	101,202	1,202
Debt Service	80,848	82,850	850	82,850	82,850
<b>Total Expenditures</b>	<b>\$1,083,275</b>	<b>\$1,339,923</b>	<b>\$1,308,881</b>	<b>\$1,616,409</b>	<b>\$1,515,980</b>
State/Other Special Rev. Funds	1,083,275	1,339,923	1,308,881	1,616,409	1,515,980
<b>Total Funds</b>	<b>\$1,083,275</b>	<b>\$1,339,923</b>	<b>\$1,308,881</b>	<b>\$1,616,409</b>	<b>\$1,515,980</b>
<b>Total Ongoing</b>	<b>\$1,083,275</b>	<b>\$1,339,923</b>	<b>\$1,308,881</b>	<b>\$1,516,409</b>	<b>\$1,515,980</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$100,000</b>	<b>\$0</b>

**Program Discussion -**

*FY 2022 Appropriations Compared to FY 2022 Actual Expenditures*

The Securities Division expended 80.8% of its \$1.3 million FY 2022 modified HB 2 budget. Personal services were 82.2% expended, and operating expenses were 64.8% expended.

As of August 1, 2022, the Securities Division had 4.00 FTE vacant or 33.3% of its HB 2 positions vacant. The vacancies are driving the lower expenditures for personal services. Operating expenses for leases were moved to debt service in order to comply with newly released accounting guidance on leases.

*FY 2022 Appropriations Compared to FY 2023 Appropriations*

FY 2023 appropriations for personal services are slightly higher than FY 2022 appropriations due to the pay plan approved by the 2021 Legislature. Operating expenses are slightly lower in FY 2022 due to a biennial appropriation for legislative audit services included in FY 2022 appropriations.

*Executive Request*

The Securities Division budget proposed by the executive is about \$484,000 or 18.3% higher than the ongoing 2023 biennium budget.

Personal services were about \$1.1 million or 87.6% of the FY 2023 base budget. The executive proposes an increase of about \$184,000 in FY 2024 and \$192,000 in FY 2025. The increase is due to changes included in the statewide present law adjustments which are discussed further in the Program Personal Services narrative.

Operating expenses were about \$160,000 or 12.2% of FY 2023 base budget appropriations. The executive proposes a decrease of about \$58,000 in FY 2024 and \$67,000 in FY 2025. The overall decrease is due to the statewide present law adjustments for fixed costs and inflation increases, offset by the \$82,000 proposal to decrease operating expenses and moving that authority to debt service for lease expenditures.

**Program Personal Services**

Personal services for the Securities Division were approximately \$1.1 million or 87.6% of the FY 2023 base budget. The executive proposes statewide present law adjustment increases of \$184,000 in FY 2024 and \$192,000 in FY 2025. In addition to the expected changes, the 2025 biennium personal services statewide present law adjustment request includes management decisions for broadband pay raises and position reclassifications for recruitment and retention.

**Funding**

The following table shows proposed agency funding for all sources of authority.

State Auditor's Office, 04-Securities Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.00 %	
02091 Securities Restitution Fund	0	0	0	300,000	300,000	8.74 %	
02235 Insurance Fee Account	0	0	0	0	0	0.00 %	
02283 Securities Fee Account	3,032,389	100,000	0	0	3,132,389	91.26 %	
<b>State Special Total</b>	<b>\$3,032,389</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$300,000</b>	<b>\$3,432,389</b>	<b>100.00 %</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$3,032,389</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$300,000</b>	<b>\$3,432,389</b>		

*HB 2 Authority*

The Securities Division is funded entirely with state special revenue from the securities fee account, which is supported by portfolio notice filing fees and examination charges. The Securities Division pays for expenses associated with the regulation of portfolio activities.

*Statutory Appropriations*

4.5% of portfolio fees are transferred to the security restitution fund to reimburse victims of securities fraud.

**Program Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	0	0	0	0.00 %	1,308,881	1,308,881	2,617,762	83.57 %
SWPL Adjustments	0	0	0	0.00 %	207,528	207,099	414,627	13.24 %
PL Adjustments	0	0	0	0.00 %	100,000	0	100,000	3.19 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$1,616,409</b>	<b>\$1,515,980</b>	<b>\$3,132,389</b>	

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	183,583	0	183,583	0.00	0	192,280	0	192,280
DP 2 - Fixed Costs	0.00	0	20,090	0	20,090	0.00	0	9,831	0	9,831
DP 3 - Inflation Deflation	0.00	0	3,855	0	3,855	0.00	0	4,988	0	4,988
DP 5 - Debt Service Reclassification	0.00	0	0	0	0	0.00	0	0	0	0
DP 11 - Case Management Software - Biennial OTO	0.00	0	100,000	0	100,000	0.00	0	0	0	0
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$307,528</b>	<b>\$0</b>	<b>\$307,528</b>	<b>0.00</b>	<b>\$0</b>	<b>\$207,099</b>	<b>\$0</b>	<b>\$207,099</b>

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

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 5 - Debt Service Reclassification -

The executive requests to move \$82,000 in budget authority from operating to debt service in FY 2024 and FY 2025 to allow the division to record building rental payments in accordance with new accounting requirements.

DP 11 - Case Management Software - Biennial OTO -

The executive requests authority in FY 2024 for case management software. Currently, the Securities Department does not have access to case management software. Instead, the department utilizes the network shared drive to store files for all securities related inquires, examinations, and investigations. Case management software would allow the department to centralize, standardize, and efficiently track all data captured within the department. Most importantly a case management system would help the Department better serve more Montana consumers who may have been harmed by unscrupulous brokers. Costs for the system would be partially offset by increased revenue from anticipated increases in fee and fine revenue as a result of a more efficient system.

The Office of the Montana State Auditor, Commissioner of Securities & Insurance (CSI), is responsible for the oversight of approximately 1,300 broker/dealer firms, 1,000 investment advisor firms, 110,000 securities salespersons and investment adviser representatives, and 38,000 issuers.

The CSI plays a major role in maintaining the health and integrity of the securities industry and business environment in Montana through its administration and enforcement of the Montana Securities Act.