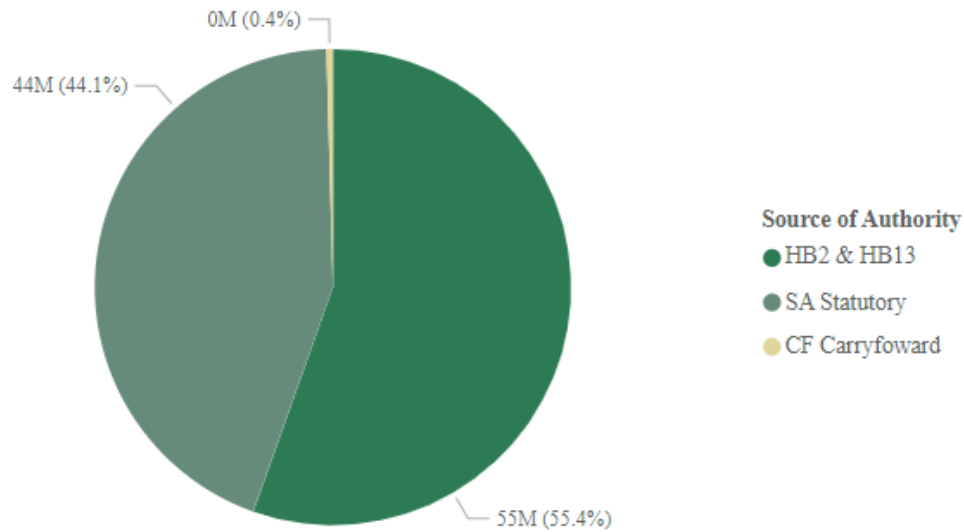


STATE AUDITOR'S OFFICE (SAO)

TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the State Auditor's Office is shown in the pie chart below. HB 2 and HB 13 provide 55.4% 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.

Total Modified Budget by Source of Authority



Source of Authority	Modified Budget	Expended Budget	% Expended
HB2 & HB13	55,148,618	3,247,268	5.9%
CF Carryforward	436,942	0	0.0%
SA Statutory	43,878,328	0	0.0%
Total	99,463,888	3,247,268	3.3%

Carryforward

Statute allows state agencies to carryforward up to 30.0% of unexpended prior-year HB 2 funds for personal services, operating expenses, and equipment by fund types for two years for any purpose, except increases in pay, that is consistent with the goals and objectives of the agency. Generally, agencies utilize the funds for one-time-only expenses such as retirement termination payouts or equipment purchases.

The State Auditor's Office has carryforward authority of approximately \$437,000 state special revenue from FY 2022. This authority includes \$109,000 in the Central Management Division, \$254,000 in the Insurance Division, and \$73,000 in the Securities Division. As of the end of November, the agency has not expended any carryforward authority. However, this authority will be available through the end of FY 2024. The agency anticipates utilizing these funds for sick and vacation leave payouts for retiring employees.

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 2024, SAO was appropriated the following for pension distributions to local governments:

- \$21.5 million for municipal firefighter retirement contributions (19-13-604, MCA)
- \$18.4 million for municipal police retirement contributions (19-9-702, MCA)
- \$3.0 million for volunteer firefighter retirement contributions (19-17-301, MCA)
- \$500,000 for firefighter relief association contributions (19-18-512, MCA)
- \$300,000 for city police retirement fund contributions (19-19-305, MCA)

Historically, the majority of the payments are made in the last quarter of the fiscal year. In addition, statutory appropriations include state special revenue securities restitution payments paid to victims of security crimes. As of the end of November, no expenditures have been made.

HB 2 BUDGET MODIFICATIONS

The following chart shows the HB 2 budget as passed by the legislature, including the pay plan, and the HB 2 modified budget from July 1, 2023 through November 30, 2023. 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.

Legislative Budget Compared to Modified Budget - HB 2 Only

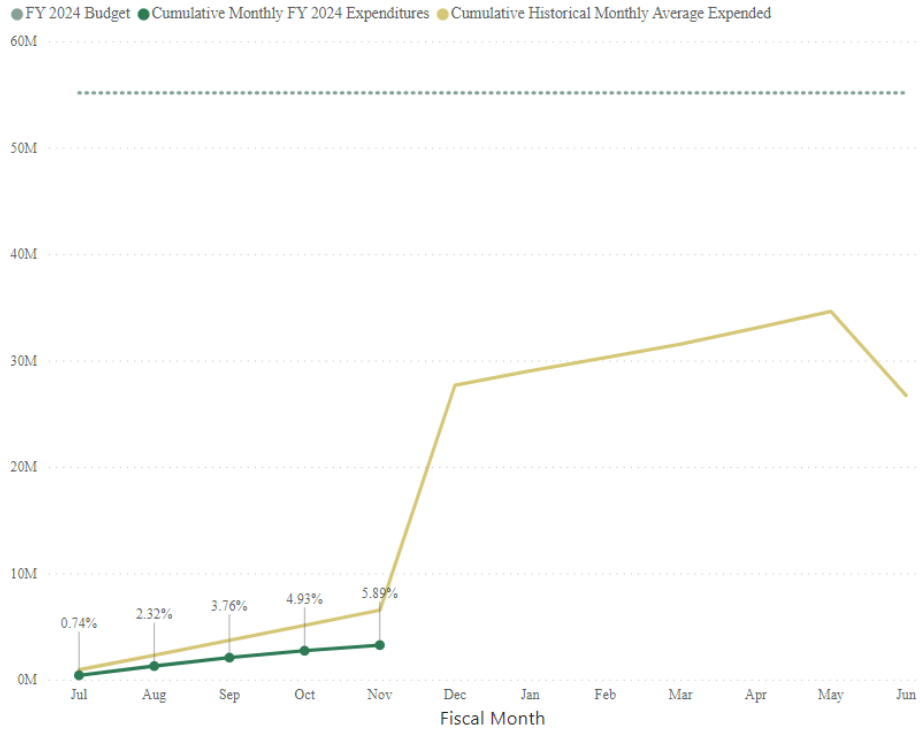
Agency Name	HB 2 Budget	Modified Budget	Net Modifications
State Auditor's Office	55,148,618	55,148,618	0
01 CENTRAL MANAGEMENT	2,317,235	2,317,235	
03 INSURANCE	51,173,513	51,173,513	0
04 SECURITIES	1,657,870	1,657,870	
Total	55,148,618	55,148,618	0
Expenditure Type	HB 2 Budget	Modified Budget	Net Modifications
61000 Personal Services	7,283,128	7,222,750	-60,378
62000 Operating Expenses	3,183,613	3,214,613	31,000
63000 Equipment & Intangible Assets	107,994	107,994	
66000 Grants	44,031,143	44,031,143	
67000 Benefits & Claims	20,000	20,000	
69000 Debt Service	522,740	552,118	29,378
Total	55,148,618	55,148,618	0
Fund Type	HB 2 Budget	Modified Budget	Net Modifications
01 General	20,000	20,000	
02 State/Other Spec Rev	21,028,618	21,028,618	0
03 Fed/Other Spec Rev	34,100,000	34,100,000	
Total	55,148,618	55,148,618	0

The State Auditor’s Office made one budget modification during this time period that transferred personal services authority to operating and debt service expenditure authority for the Captives Program.

HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures through November 30, 2023.

Monthly Expenditures Compared to Historical Average



Fund Type	Modified Budget	Expended Budget	% Expended
01 General	20,000	0	0.0%
02 State/Other Spec Rev	21,028,618	3,168,568	15.1%
03 Fed/Other Spec Rev	34,100,000	78,700	0.2%
Total	55,148,618	3,247,268	5.9%

Expenditure Type	Modified Budget	Expended Budget	% Expended
Personal Services	7,222,750	1,987,640	27.5%
Operating Expenses	3,214,613	899,875	28.0%
Equipment & Intangible Assets	107,994	28,716	26.6%
Grants	44,031,143	78,700	0.2%
Benefits & Claims	20,000	0	0.0%
Debt Service	552,118	252,338	45.7%
Total	55,148,618	3,247,268	5.9%

Program Name	Modified Budget	Expended Budget	% Expended
01 CENTRAL MANAGEMENT	2,317,235	838,695	36.2%
03 INSURANCE	51,173,513	1,874,107	3.7%
04 SECURITIES	1,657,870	534,467	32.2%
Total	55,148,618	3,247,268	5.9%

In FY 2024, the State Auditor’s Office is funded with:

- Less than 1.0% general fund for defrayal benefit costs mandated in HB 291 (2021 Legislative Session)
- 38.1% state special revenue generated from insurance licensure fees, examination fees, penalties, and portfolio notice filing fees
- 61.8% federal special revenues which are received for the Montana Reinsurance Program. The Montana Reinsurance Program utilizes annual assessments on health insurance plan premiums as a match for federal funds to offset expenses of health insurers associated with high-cost individuals who incur high-cost claims

The majority of the State Auditor’s Office budget is for state special and federal special revenue grants for the Montana Reinsurance Program. Reimbursements made through the Montana Reinsurance Program do not typically begin to be disbursed until December. The State Auditor’s Office anticipates there will be \$45.5 million in reimbursements to health insurers in FY 2024 for the Montana Reinsurance Program.

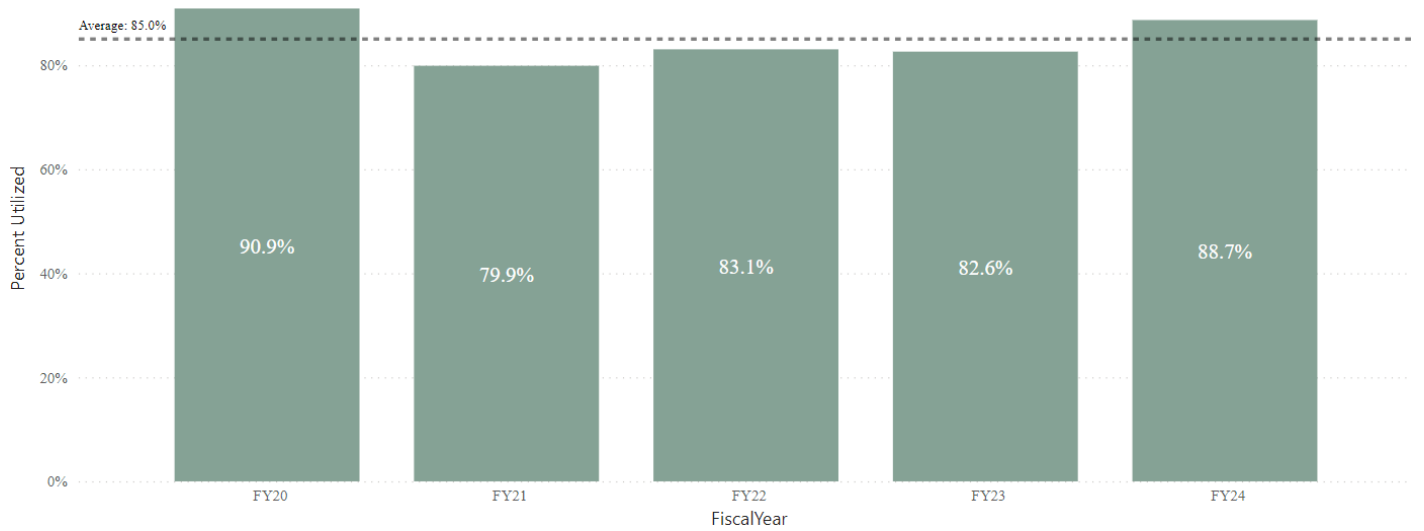
Additionally, lower expenditures compared to the historical average are reflective of lower personal service expenditures due to employee turnover and retirements during FY 2024. The orange line represents cumulative historical expenditures, which shows a dip in expenditures in the last month of the fiscal year. This is due to error corrections that occurred in previous fiscal years.

Personal Services

Appropriations for personal services in the State Auditor’s Office total \$7.2 million and are 27.5% expended through November 30, 2023. The department has 72.50 HB 2 FTE and 80.4% of these positions are filled as of November 1, 2023. The following chart shows the filled and vacant FTE within the agency as of November 1, 2023.



The chart below shows the hourly utilization percentage for the State Auditor’s Office between July 1 and November 1 for each fiscal year when compared to the available hours for the same time period. Overall, the department has utilized 88.7% of the total available hours to date in FY 2024, as shown in the chart below. This is slightly higher than the historical average utilization rate of 85.0%.



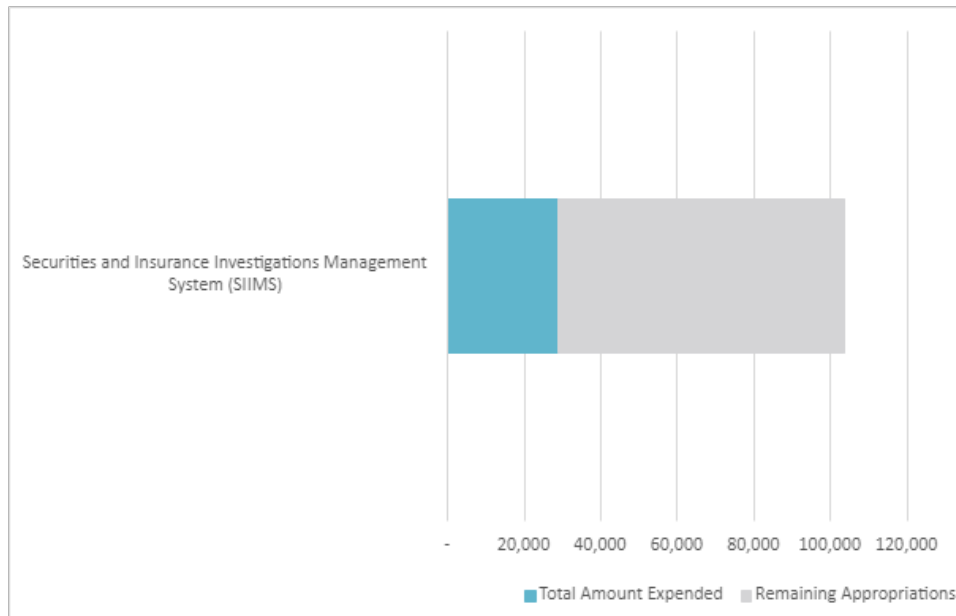
The chart below shows the vacant FTE in each division, the number of months each position has been vacant, and the midpoint hourly pay rate. Of the 14.00 FTE that are vacant, 4.00 FTE have been vacant for four months or less (since July 2023). As of November 1, 2023, the department was in the process of recruiting for two compliance specialist positions and a paralegal.

Vacant Positions Report

	FTE	Median Months Vacant	Market Midpoint (Hourly)
34010 STATE AUDITOR	14.00	5.75	40.43
01 Central Management	3.00	4.03	34.56
Accounting Supervisor	1.00	4.03	34.56
Computer Systems Analyst	1.00	27.97	49.32
Human Resources Assistant 1	1.00	1.21	20.60
03 Insurance	8.00	5.75	47.33
Actuary 1	1.00	17.05	29.90
Actuary 3	2.00	9.28	49.84
Business Manager	1.00	1.80	62.81
Compliance Specialist 2	1.00	6.10	34.04
Financial Examiner 3	1.00	3.57	48.36
Financial Examiner Supervisor	1.00	4.43	46.30
PERSL STAFF/EO-ADMIN	1.00	26.00	
04 Securities	3.00	15.51	29.98
Compliance Manager	1.00	15.51	51.21
Paralegal 2	1.00	2.59	29.98
Personal Staff/EO-Admin	1.00	29.28	
Total	14.00	5.75	40.43

OTHER ISSUES

Information Technology Project Expenditures



Securities and Insurance Investigations Management System (SIIMS)

Creates a centralized repository and investigation tracking system for all investigative matters. The estimated budget is approximately \$104,000 with an estimated delivery date of June 30, 2024. To date, 10.0% has been completed with \$29,000 expended.

APPENDIX A

- **Did the agency utilize contractors in FY 2024? If so, how much did you pay to contractors? How much of the amount paid to contractors do you estimate is due to vacant positions? If contractors were paid because of vacant positions, what are the types of vacant positions that resulted in the need for contractors?**

The Commissioner of Securities and Insurance (CSI) has utilized contractors in FY 2024. Please see the summary below for the payments for fiscal year 2024 through November 15th.

Org	Org Name	Consulting & Prof Services	Legal Services	Total	Due to Vacancies	Type of Vacant Position
1	Central Administration	1,434		1,434	No	
304	Insurance Licensing	34,156		34,156	No	
306	Forms	73,538		73,538	Yes	Forms Analyst
325	Market Conduct	18,266		18,266	No	
326	Exams Contacts	126,900		126,900	No	
308	Insurance Legal	45	37,789	37,834	No	
414	Securities Legal		16,378	16,378	No	
320	Rate Review HB 87	21,888		21,888	Yes	Actuary
336	Rates	188,739		188,739	Yes	Actuary
		464,965	54,167	519,132		

The Insurance Licensing, Market Conduct and Examinations areas within the Insurance Program complete a variety of reviews. Many are completed internally, but others are contracted out due to the number that must be completed, the size, nature, and complexity, and so forth. The contractor costs within these categories are not due to vacancies.

The CSI has experienced vacancies within the Forms Analyst position. In addition, the CSI has struggled with the recruiting and hiring for the Actuary positions. If these positions were fully staffed, there would be limited contractor needs for the rate reviews.

- **How much did you pay in overtime? How much of the overtime paid do you estimate is due to vacant positions? If overtime was paid because of vacant positions, what are the types of vacant positions that resulted in the need for overtime?**

The CSI has paid \$4,053.86 in overtime pay in fiscal year 2024 through the pay period ending November 3, 2023. CSI estimates that \$3,330 of overtime pay was due to vacant positions. The vacancies are related to Forms Analyst positions.