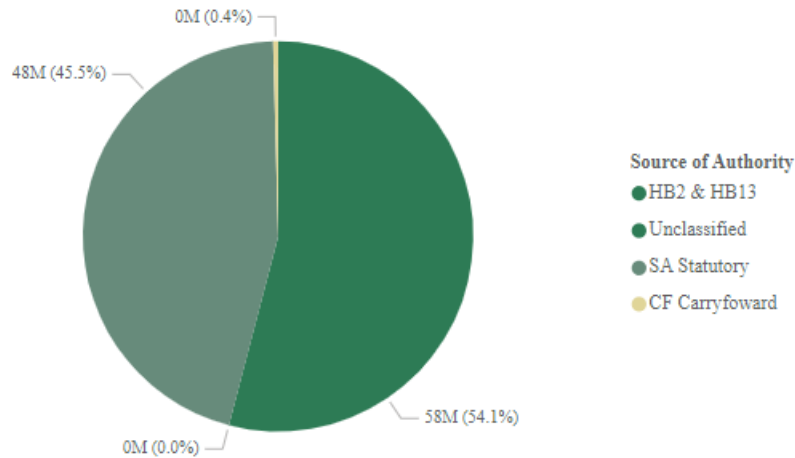


STATE AUDITOR'S OFFICE (SAO)

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 54.1% 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	57,574,670	53,885,558	93.6%
CF Carryforward	436,942	346,684	79.3%
SA Statutory	48,483,785	128,268	0.3%
Unclassified	272		
Total	106,495,669	54,360,510	51.0%

Carryforward

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 May, the agency has expended approximately \$347,000 or 79.3% of carryforward authority. Authority was primarily utilized for consulting and professional services with the remainder used for education/training and travel costs. The remainder of this authority will be available through the end of FY 2024.

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 May, \$128,000 has been expended primarily for the securities restitution payments.

Unclassified

The State Auditor's Office has unclassified appropriation authority of \$272 because of lower workers' compensation premiums. Per 39-71-403(1)(b)(iv), MCA, when workers' compensation premiums are lower than the previous year, state agencies shall reduce personal services appropriations by the amount of the premium reduction. To track the changes in appropriation authority, total appropriation is not reduced; instead, the Governor's Office of Budget and Program Planning (OBPP) requires state agencies to:

- Reduce HB 2, statutory, and proprietary appropriations
- Create a separate offsetting entry on the financial statements in the same amount using an identifying number for workers' compensation entries

The offsetting entries are identified as "frozen" appropriations, which means the appropriations will not be spent unless authorized by OBPP.

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 March 1, 2024, through May 31, 2024. 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	57,574,670	57,574,670	0
01 CENTRAL MANAGEMENT	2,272,883	2,286,185	13,302
03 INSURANCE	53,599,678	53,599,678	
04 SECURITIES	1,702,109	1,688,807	-13,302
Total	57,574,670	57,574,670	0

Expenditure Type	HB 2 Budget	Modified Budget	Net Modifications
61000 Personal Services	7,222,478	7,222,478	0
62000 Operating Expenses	3,214,613	3,214,613	
63000 Equipment & Intangible Assets	107,994	107,994	
66000 Grants	46,457,467	46,457,467	
67000 Benefits & Claims	20,000	20,000	
69000 Debt Service	552,118	552,118	
Total	57,574,670	57,574,670	0

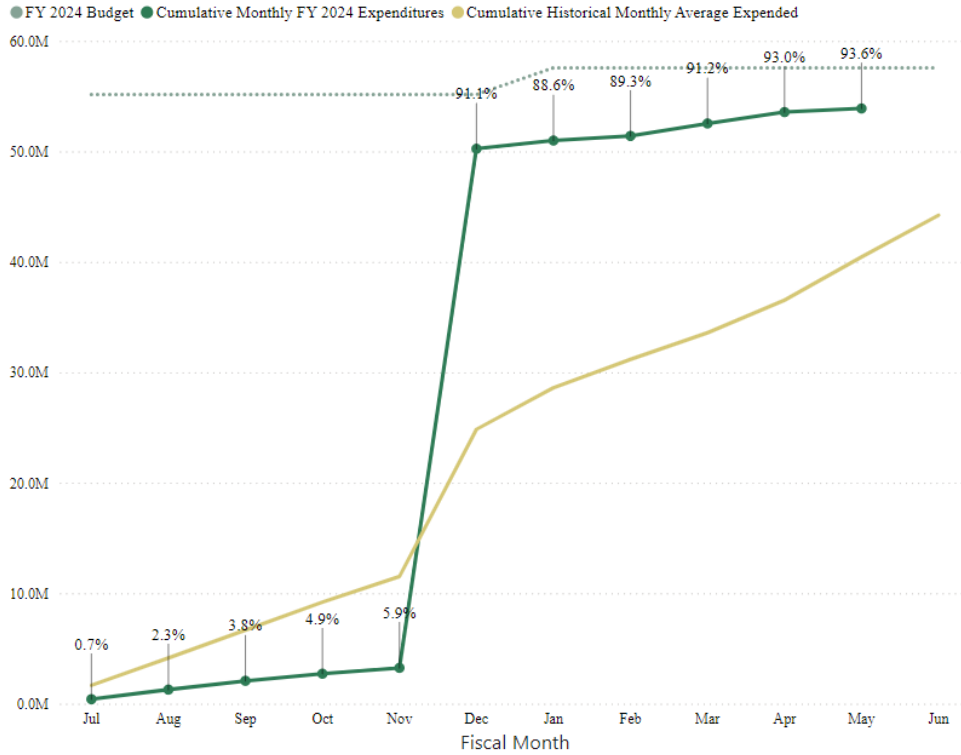
Fund Type	HB 2 Budget	Modified Budget	Net Modifications
01 General	20,000	20,000	
02 State/Other Spec Rev	23,454,670	23,454,670	0
03 Fed/Other Spec Rev	34,100,000	34,100,000	
Total	57,574,670	57,574,670	0

Between March 1, 2024, and May 31, 2024, the State Auditor’s Office has made one budget modification which was a program transfer of \$13,000 from the Securities Division to the Central Management Division. This change transferred a public education liaison specialist from the Securities Division to the Central Management Division so they could service the whole agency.

HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures through May 31, 2024.

Monthly Expenditures Compared to Historical Average



Program Name	Modified Budget	Expended Budget	% Expended
☐ 01 CENTRAL MANAGEMENT	2,286,185	1,796,267	78.6%
☐ 03 INSURANCE	53,599,678	50,851,556	94.9%
☐ 04 SECURITIES	1,688,807	1,237,735	73.3%
Total	57,574,670	53,885,558	93.6%

Expenditure Type	Modified Budget	Expended Budget	% Expended
☐ Personal Services	7,222,478	5,591,017	77.4%
☐ Operating Expenses	3,214,613	1,684,481	52.4%
☐ Equipment & Intangible Assets	107,994	47,860	44.3%
☐ Grants	46,457,467	46,059,976	99.1%
☐ Benefits & Claims	20,000	20,000	100.0%
☐ Debt Service	552,118	502,223	91.0%
Total	57,574,670	53,885,558	93.6%

Fund Type	Modified Budget	Expended Budget	% Expended
☐ 01 General	20,000	20,000	100.0%
☐ 02 State/Other Spec Rev	23,454,670	20,183,048	86.1%
☐ 03 Fed/Other Spec Rev	34,100,000	33,702,509	98.8%
Total	57,574,670	53,885,558	93.6%

In FY 2024, the State Auditor’s Office is funded in HB 2 with:

- Less than 1.0% general fund for defrayal benefit costs mandated in HB 291 (2021 Legislative Session)
- 40.7% state special revenue generated from insurance licensure fees, examination fees, penalties, and portfolio notice filing fees

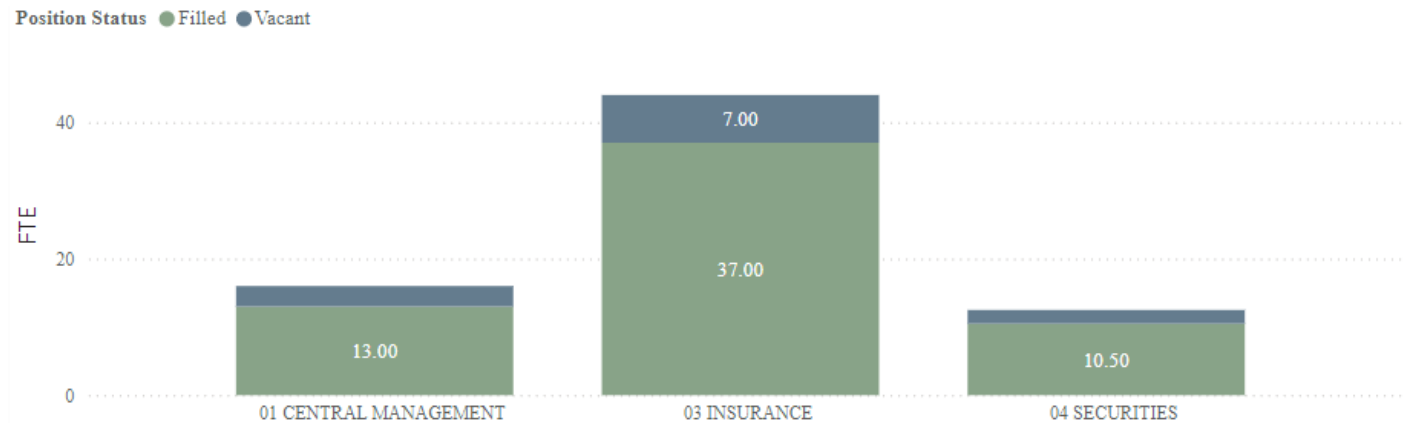
- 59.2% federal special revenues which are received for the Montana Reinsurance Program. The Montana Reinsurance Program utilizes annual assessments on health insurance plan premiums as a match for federal funds to offset expenses of health insurers associated with high-cost individuals who incur high-cost 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 once a year, for the Montana Reinsurance Program were disbursed at the end of December and totaled \$45.9 million.

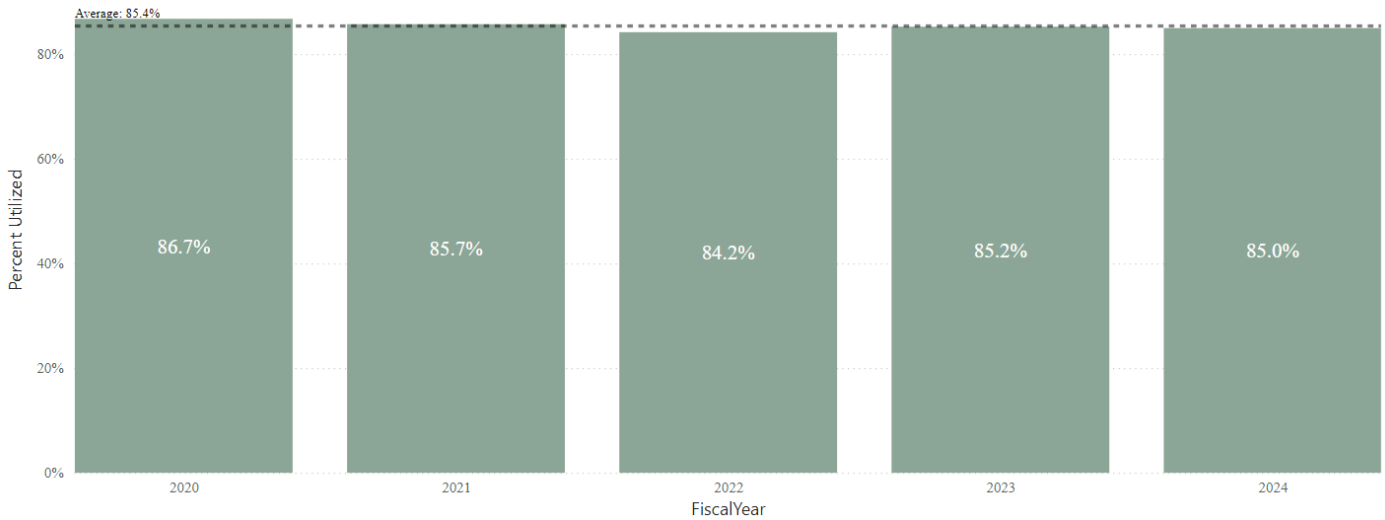
The State Auditor’s Office has expended a greater amount than compared to the historical five-year average. This is due to the Montana Reinsurance Program being relatively new as it was created in 2019 and the first reimbursement of any significance started in FY 2023. Therefore, the historical five-year average includes years when very little reimbursements or no reimbursements were being made. Overall, the State Auditor’s Office has expended \$53.9 million or 93.6% of its HB 2 modified FY 2024 budget.

Personal Services

Appropriations for personal services in the State Auditor’s Office total \$7.2 million and are 77.4% expended through May 31, 2024. The department has 72.50 HB 2 FTE and 83.4% of these positions are filled as of May 1, 2024. The following chart shows the filled and vacant FTE within the agency as of May 1, 2024.



The chart below shows the hourly utilization percentage for the State Auditor’s Office between July 1 and May 1 for each fiscal year when compared to the available hours for the same time period. Overall, the department has utilized 85.0% of the total available hours to date in FY 2024, as shown in the chart below. This is slightly lower than the historical average utilization rate of 85.4%.



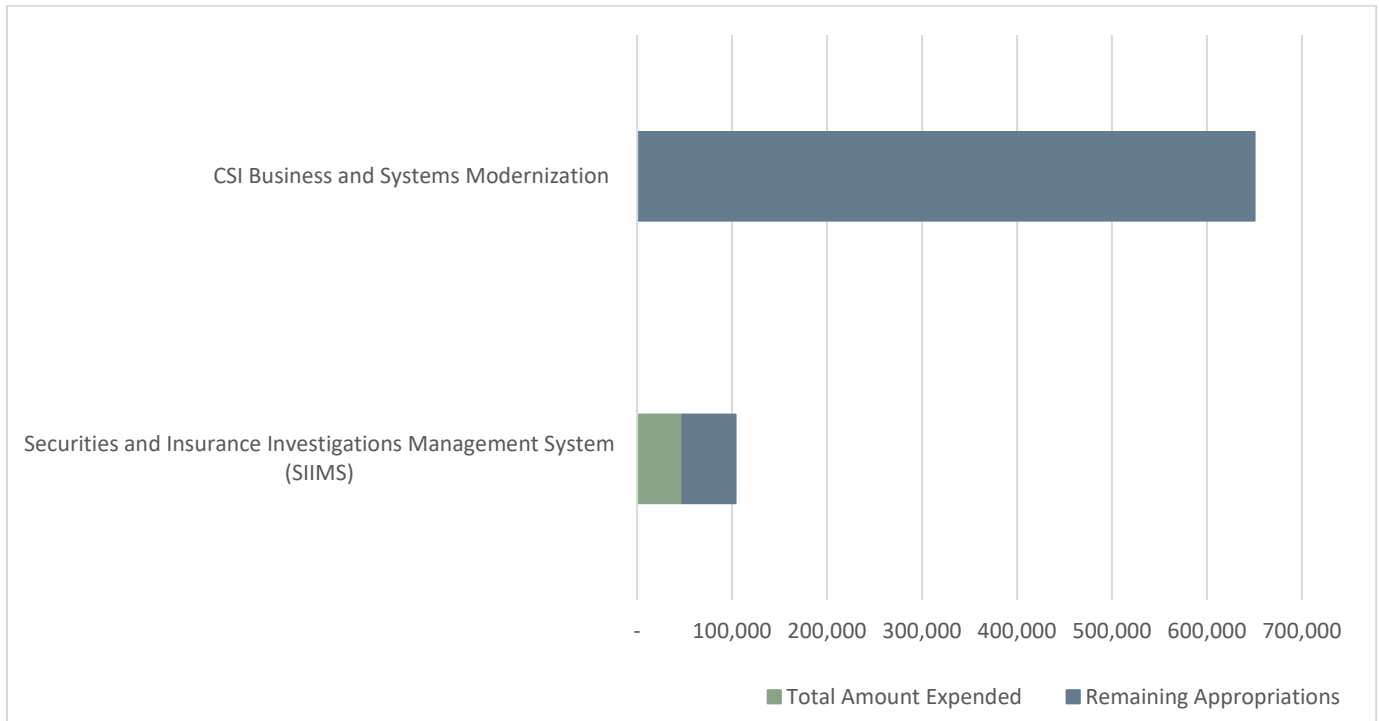
The chart below shows the vacant FTE in each division, the number of months each position has been vacant, and the midpoint hourly pay rate. Of the 12.00 FTE that are vacant, 4.00 FTE have been vacant for 12 months or longer. As of May 1, 2024, the State Auditor’s Office had two job postings, one was for an insurance forms compliance specialist and the other was for a summer/fall intern. As of the end of May the State Auditor’s Office has hired two compliance specialists and is in the process of hiring a financial examiner 1 and 2 and actuary 3.

Vacant Positions Report

	FTE	Median Months Vacant	Market Midpoint (Hourly)
34010 STATE AUDITOR	12.00	9.57	34.04
01 CENTRAL MANAGEMENT	3.00	7.18	20.60
Computer Systems Analyst	1.00	33.93	49.32
Human Resources Assistant 1	1.00	7.18	20.60
Personal Staff/EO-Admin	1.00	2.82	
03 INSURANCE	7.00	7.77	34.04
Actuary 3	1.00	11.38	49.84
Business Manager	1.00	7.77	62.81
Compliance Specialist 2	2.00	6.39	34.04
Financial Examiner 1	1.00	0.75	32.68
Financial Examiner 2	1.00	1.90	38.69
PERSL STAFF/EO-ADMIN	1.00	31.97	
04 SECURITIES	2.00	28.36	25.61
Compliance Manager	1.00	21.48	51.21
Personal Staff/EO-Admin	1.00	35.25	
Total	12.00	9.57	34.04

OTHER ISSUES

Information Technology Project Expenditures



CSI Business and Systems Modernization

The Commissioner of Securities and Insurance (CSI) Business and Systems Modernization project has begun the process of sourcing a vendor to help the CSI improve business processes and IT systems. This project is specifically targeted at improving areas of revenue generation and reconciliation. This project began April 9, 2024, and has an estimated delivery date of June 30, 2026. The budget is \$650,000, and no expenditures have been made to date as the project is still in its planning phase.

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, 50.0% has been completed with approximately \$48,000 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?**

CSI has utilized contractors in FY 2024. Please see the summary below for the payments for fiscal year 2024 through May 14th.

Org	Org Name	Consulting & Prof Services	Legal Services	Temporary Services	Total	Due to Vacancies	Type of Vacant Position
1	Central Administration	4,274			4,274	No	
102	Centralized Services Division			24,165	24,790	Yes	Accounting Supervisor
105	Human Resources Office			17,166	17,198	Yes	Human Resources Assistant 1
302	Insurance Services	1,141			1,141	No	
304	Insurance Licensing	96,532			96,532	No	
306	Forms	216,352			216,352	Yes	Forms Analyst
316	Captive Reg & Supervision	35,093			35,093	No	
325	Market Conduct	26,112			26,112	No	
325	Exams Contacts	347,593			347,593	No	
320	Rate Review HB 87	32,913			32,913	Yes	Actuary
336	Rates	433,689			433,689	Yes	Actuary
308	Insurance Legal		75,866	842	77,022	No	
414	Securities Legal		36,157	356	36,560	No	

The Centralized Services Division had a vacant position, which is now filled with a Contracts and Procurement Officer. The Human Resources Office also has had a vacant position. Temporary services were utilized to assist with these duties.

The Insurance Licensing, Market Conduct, Examinations and Captives 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. The CSI did recently hire an Actuary 1. If these positions were fully staffed, there would be more 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 State Auditor's Office has paid \$10,640 in overtime pay in fiscal year 2024 through the pay period ending May 3, 2024. CSI estimates that \$9,915 of overtime pay was due to vacant positions. The vacancies are related to Forms Analyst position.