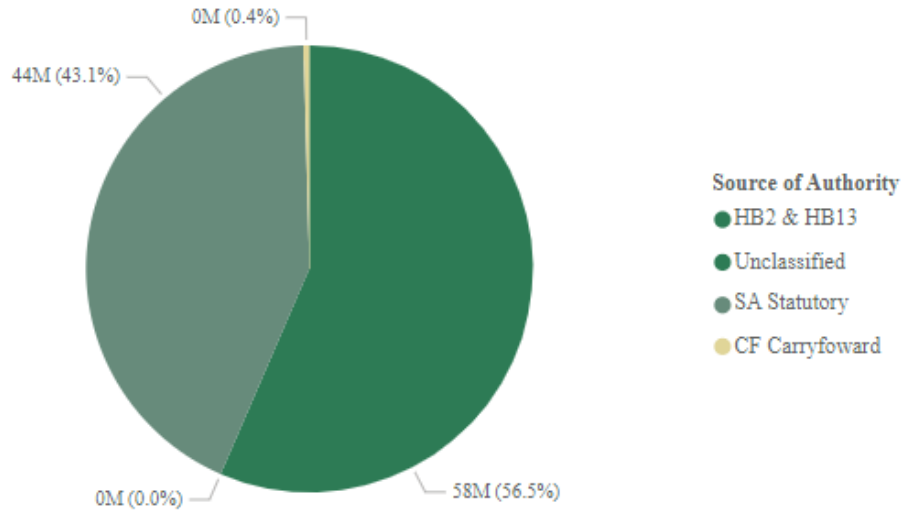


STATE AUDITOR'S OFFICE (SAO)

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 56.5% 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	51,397,175	89.3%
CF Carryforward	436,942		
SA Statutory	43,878,328	50,000	0.1%
Unclassified	272		
Total	101,890,212	51,447,175	50.5%

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 February, 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 February, \$50,000 has been expended.

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 December 1, 2023 through February 29, 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	55,148,618	57,574,670	2,426,052
01 CENTRAL MANAGEMENT	2,317,235	2,272,883	-44,352
03 INSURANCE	51,173,513	53,599,678	2,426,165
04 SECURITIES	1,657,870	1,702,109	44,239
Total	55,148,618	57,574,670	2,426,052

Expenditure Type	HB 2 Budget	Modified Budget	Net Modifications
61000 Personal Services	7,222,750	7,222,478	-272
62000 Operating Expenses	3,214,613	3,214,613	0
63000 Equipment & Intangible Assets	107,994	107,994	
66000 Grants	44,031,143	46,457,467	2,426,324
67000 Benefits & Claims	20,000	20,000	
69000 Debt Service	552,118	552,118	
Total	55,148,618	57,574,670	2,426,052

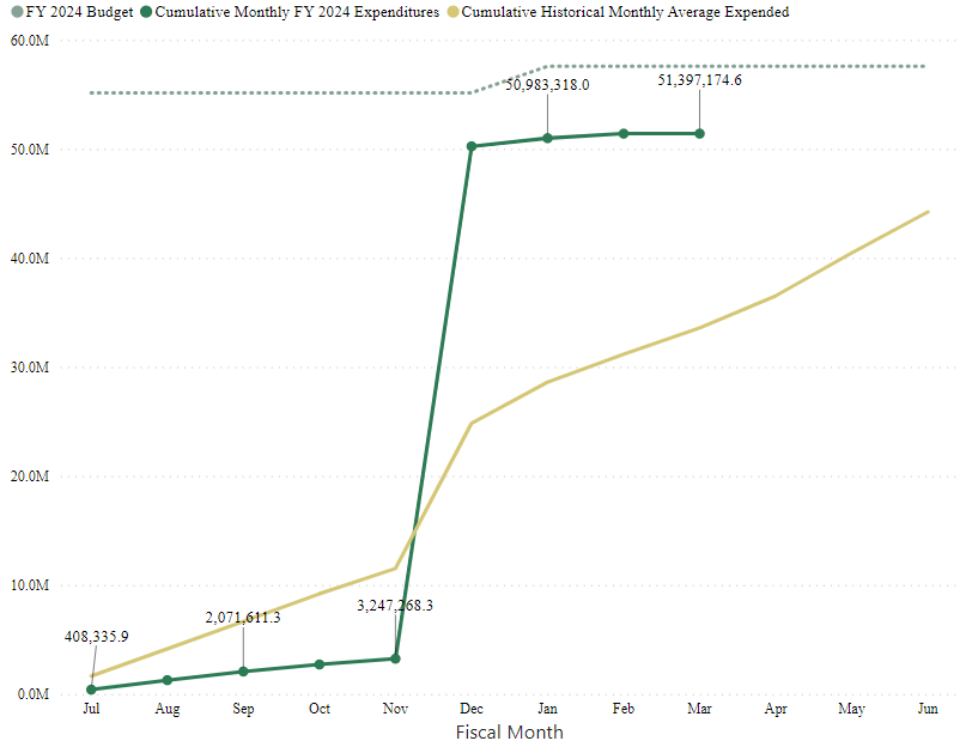
Fund Type	HB 2 Budget	Modified Budget	Net Modifications
01 General	20,000	20,000	
02 State/Other Spec Rev	21,028,618	23,454,670	2,426,052
03 Fed/Other Spec Rev	34,100,000	34,100,000	
Total	55,148,618	57,574,670	2,426,052

In addition to the budget adjustment for the workers compensation premium that was discussed in the unclassified authority section, the State Auditor’s Office made a fiscal transfer of \$2.4 million in FY 2024. The Montana Reinsurance Program reimburses insurance companies for certain high-cost claims in the individual health insurance market. This reimbursement takes place at the end of December every year. For FY 2024, the agency had sufficient fund balance in the reimbursement account but did not have adequate state special revenue appropriation authority to provide this reimbursement, therefore authority was transferred from FY 2025 to FY 2024.

HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures through February 29, 2024.

Monthly Expenditures Compared to Historical Average



Program Name	Modified Budget	Expended Budget	% Expended
01 CENTRAL MANAGEMENT	2,272,883	1,329,943	58.5%
03 INSURANCE	53,599,678	49,199,147	91.8%
04 SECURITIES	1,702,109	868,085	51.0%
Total	57,574,670	51,397,175	89.3%

Expenditure Type	Modified Budget	Expended Budget	% Expended
Personal Services	7,222,478	3,573,608	49.5%
Operating Expenses	3,214,613	1,450,297	45.1%
Equipment & Intangible Assets	107,994	47,860	44.3%
Grants	46,457,467	45,948,129	98.9%
Benefits & Claims	20,000		
Debt Service	552,118	377,281	68.3%
Total	57,574,670	51,397,175	89.3%

Fund Type	Modified Budget	Expended Budget	% Expended
01 General	20,000		
02 State/Other Spec Rev	23,454,670	17,806,513	75.9%
03 Fed/Other Spec Rev	34,100,000	33,590,662	98.5%
Total	57,574,670	51,397,175	89.3%

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)
- 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 totaling \$45.9 million.

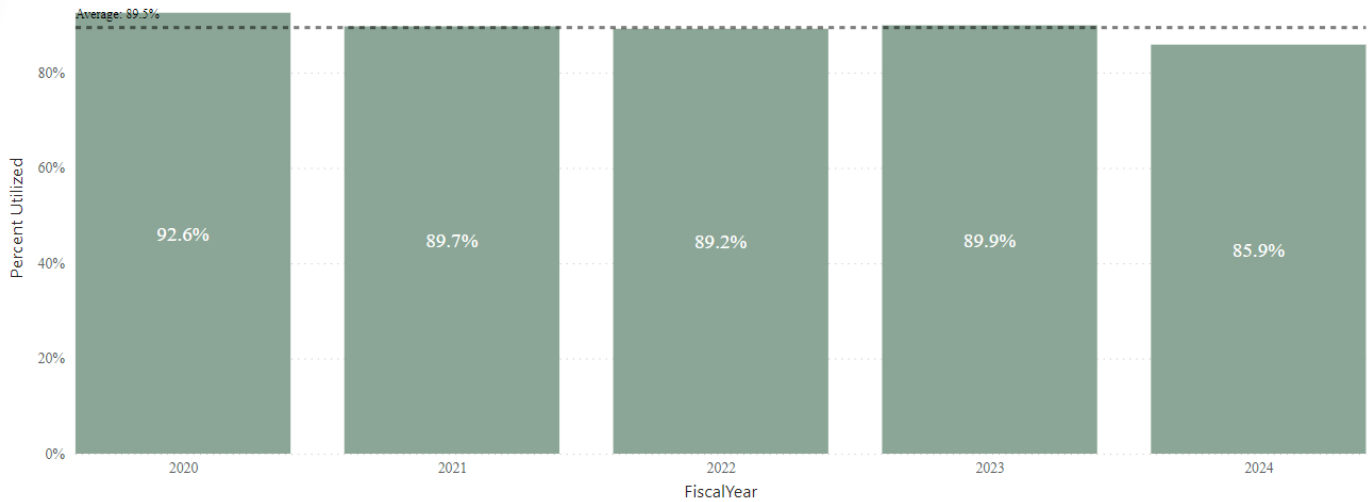
The State Auditor’s Office has expended a greater amount than compared to the historical five-year average. This is due to the Montana Reinsurance Program being relatively new as it was created in 2019 and the first reimbursement of any significance started in FY 2023. Therefore, the historical five-year average includes years when very little reimbursements or no reimbursements were being made. Overall, the State Auditor’s Office has expended \$51.4 million or 89.3% of it’s HB 2 modified FY 2024 budget.

Personal Services

Appropriations for personal services in the State Auditor’s Office total \$7.2 million and are 49.5% expended through February 29, 2024. The department has 72.50 HB 2 FTE and 82.1% of these positions are filled as of February 1, 2024. The following chart shows the filled and vacant FTE within the agency as of February 1, 2024.



The chart below shows the hourly utilization percentage for the State Auditor’s Office between July 1 and February 1 for each fiscal year when compared to the available hours for the same time period. Overall, the department has utilized 85.9% 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 89.5%.



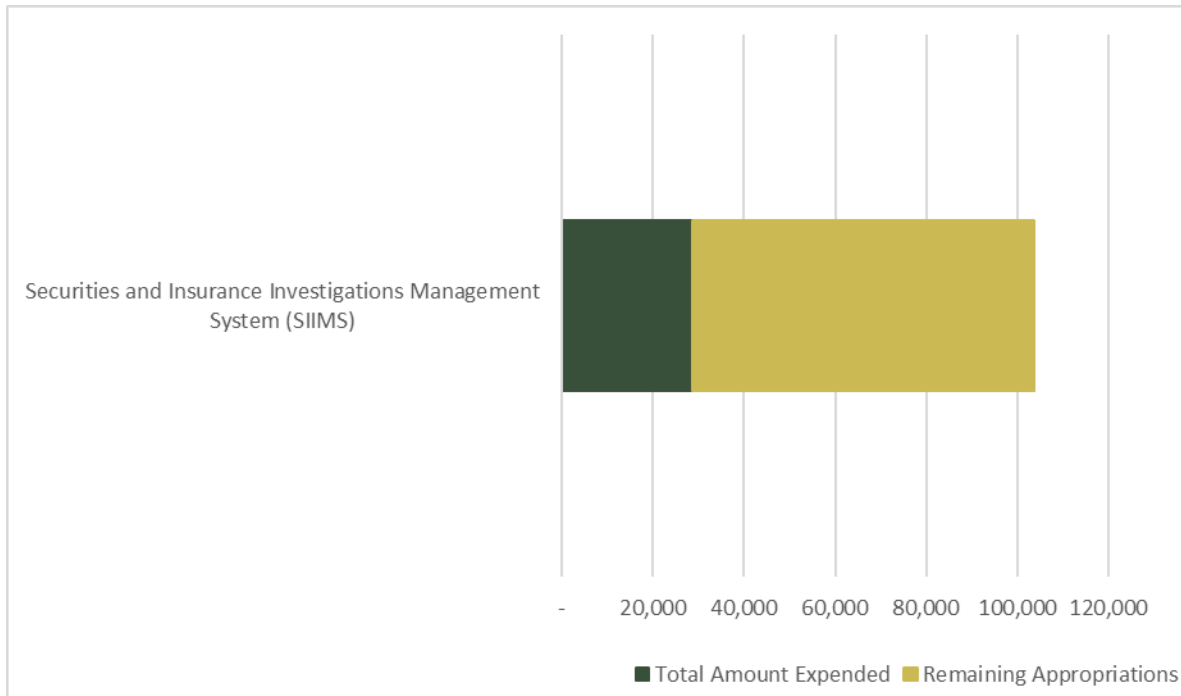
The chart below shows the vacant FTE in each division, the number of months each position has been vacant, and the midpoint hourly pay rate. Of the 12.00 FTE that are vacant, 5.00 FTE have been vacant for 12 months or longer. As of February 1, 2024 the State Auditor’s Office had two job postings for financial examiner supervisors.

Vacant Positions Report

DEPT NUM/NAME	FTE	Median Months Vacant	Market Midpoint (Hourly)
⊖ 34010 STATE AUDITOR	12.00	8.77	47.33
⊖ 01 CENTRAL MANAGEMENT	3.00	7.05	34.56
Accounting Supervisor	1.00	7.05	34.56
Computer Systems Analyst	1.00	30.98	49.32
Human Resources Assistant 1	1.00	4.23	20.60
⊖ 03 INSURANCE	7.00	8.43	48.36
Actuary 3	2.00	12.30	49.84
Business Manager	1.00	4.82	62.81
Compliance Specialist 2	1.00	9.11	34.04
Financial Examiner 3	1.00	6.59	48.36
Financial Examiner Supervisor	1.00	7.44	46.30
PERSL STAFF/EO-ADMIN	1.00	29.02	
⊖ 04 SECURITIES	2.00	25.41	25.61
Compliance Manager	1.00	18.52	51.21
Personal Staff/EO-Admin	1.00	32.30	
Total	12.00	8.77	47.33

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, 20.0% has been completed with approximately \$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 State Auditor's Office has utilized contractors in FY 2024. Please see the summary below for the payments for fiscal year 2024 through February 22nd.

Org	Org Name	Consulting & Prof Services	Legal Services	Temporary Services	Total	Due to Vacancies	Type of Vacant Position
1	Central Administration	3,465			3,465	No	
102	Centralized Services Division			19,548	19,548	Yes	Accounting Supervisor
105	Human Resources Office			15,024	15,024	Yes	Human Resources Assistant 1
304	Insurance Licensing	63,464			63,464	No	
306	Forms	153,594			153,594	Yes	Forms Analyst
325	Market Conduct	24,814			24,814	No	
326	Exams Contacts	292,390			292,390	No	
316	Captive Reg & Supervision	35,030			35,030	No	
308	Insurance Legal	45	72,095		72,140	No	
414	Securities Legal		33,113		33,113	No	
320	Rate Review HB 87	21,888			21,888	Yes	Actuary
336	Rates	302,083			302,083	Yes	Actuary
		896,772	105,208	34,572	1,036,552		

The Centralized Services Division and Human Resources Office each have 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 State Auditor’s Office has experienced vacancies within the Forms Analyst position. In addition, the Office has struggled with the recruiting and hiring for the Actuary positions. The State Auditor’s Office 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 \$8,191 in overtime pay in fiscal year 2024 through the pay period ending February 9, 2024. The office estimates that \$7,466 of overtime pay was due to vacant positions. The vacancies are related to Forms Analyst position.