

Agency Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	13,481,369	13,021,556	(459,813)	(3.41)%
Operating Expenses	4,775,448	4,571,198	(204,250)	(4.28)%
Equipment & Intangible Assets	15,988	15,988	0	0.00 %
Grants	88,058,696	88,062,286	3,590	0.00 %
Debt Service	3,473	0	(3,473)	(100.00)%
Total Expenditures	\$106,334,974	\$105,671,028	(\$663,946)	(0.62)%
State/Other Special Rev. Funds	38,134,974	37,471,028	(663,946)	(1.74)%
Federal Spec. Rev. Funds	68,200,000	68,200,000	0	0.00 %
Total Funds	\$106,334,974	\$105,671,028	(\$663,946)	(0.62)%
Total Ongoing	\$105,709,974	\$105,671,028	(\$38,946)	(0.04)%
Total OTO	\$625,000	\$0	(\$625,000)	(100.00)%

Mission Statement

The State Auditor's Office (SAO) advocates for consumers while working to empower Montanans with more insurance options and timely information. SAO 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. SAO is committed to serving all Montanans in a caring, professional, and ethical manner as they perform the duties of the office.

Please refer to the agency profile for the State Auditor's Office at <https://leg.mt.gov/lfd/state-agency-profiles/state-auditors-office> for additional information about the agency's organization structure, historical expenditures, FY 2020 expenditure dashboard, and recent studies, audits, and legislation.

Agency Highlights

State Auditor's Office Major Budget Highlights
<ul style="list-style-type: none"> • The State Auditor’s Office 2023 biennium budget request is about \$39,000 or 0.1% lower than the 2021 ongoing biennium budget • Proposed changes are due to the statewide present law adjustments for personal services, fixed costs, and inflation/deflation and a present law adjustment reducing personal services and 2.00 FTE
Legislative Action Items
<ul style="list-style-type: none"> • The fund balance in the insurance fee account was \$3.4 million at the end of FY 2020. The legislature may wish to consider transferring fund balance from the insurance fee account to the general fund

Agency Actuals and Budget Comparison

The following table compares the last full fiscal year actuals, previous biennium appropriations by year, and current annual biennium budget request by type of expenditure and source of funding.

Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	74.50	74.50	72.50	72.50
Personal Services	5,274,942	6,833,777	6,647,592	6,501,877	6,519,679
Operating Expenses	1,469,559	2,410,802	2,364,646	2,316,627	2,254,571
Equipment & Intangible Assets	9,685	7,994	7,994	7,994	7,994
Grants	62,025	44,027,553	44,031,143	44,031,143	44,031,143
Debt Service	3,175	3,473	0	0	0
Total Expenditures	\$6,819,386	\$53,283,599	\$53,051,375	\$52,857,641	\$52,813,387
State/Other Special Rev. Funds	6,787,361	19,183,599	18,951,375	18,757,641	18,713,387
Federal Spec. Rev. Funds	32,025	34,100,000	34,100,000	34,100,000	34,100,000
Total Funds	\$6,819,386	\$53,283,599	\$53,051,375	\$52,857,641	\$52,813,387
Total Ongoing	\$6,725,840	\$52,833,599	\$52,876,375	\$52,857,641	\$52,813,387
Total OTO	\$93,546	\$450,000	\$175,000	\$0	\$0

Agency Discussion

FY 2020 Appropriation Compared to FY 2020 Actual Expenditures

The State Auditor’s Office expended 12.8% of its \$53.3 million FY 2020 modified HB 2 budget. Personal services were 77.2% expended, operating expenses were 61.0% expended, equipment & intangible assets were 121.2% expended, grants were 0.1% expended, and debt service was 91.4% expended.

Vacancies within the various programs drove lower expenditures for personal services. In addition, the Insurance Program received a number of appropriations for operating expenses that were not needed in FY 2020. The 2019 Legislature

established the Montana Reinsurance Program with its first year of operation in FY 2020. The program was approved by the federal government in August 2019 for operation beginning in January 2020. In its first six months of operation the program did not make premium assessments on health insurance providers to provide state funding and did not issue any reinsurance grants.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Personal services are higher in FY 2020 due to a one-time-only, restricted, biennial appropriation for agency retirement benefit payments included in FY 2020. Operating expenses are higher in FY 2020 due to a biennial appropriation for legislative audit services included in FY 2020 appropriations.

Comparison of the FY 2021 Legislative Budget to FY 2021 Base

Figure 1 illustrates the beginning FY 2021 budget as adopted by the 2019 Legislature compared to the finalized FY 2021 base budget, which included modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2021 base budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2023 biennium budgeting process.

Figure 1

FY 2021 Legislative Appropriations - State Auditor's Office				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
01 CENTRAL MANAGEMENT				
61000 Personal Services	1,503,363	(70,000)	1,433,363	-4.7%
62000 Operating Expenses	639,441	-	639,441	0.0%
63000 Equipment & Intangible Assets	1,683	-	1,683	0.0%
01 CENTRAL MANAGEMENT Total	2,144,487	(70,000)	2,074,487	-3.3%
03 INSURANCE				
61000 Personal Services	4,076,373	-	4,076,373	0.0%
62000 Operating Expenses	1,399,336	-	1,399,336	0.0%
63000 Equipment & Intangible Assets	5,109	-	5,109	0.0%
66000 Grants	44,031,143	-	44,031,143	0.0%
03 INSURANCE Total	49,511,961	-	49,511,961	0.0%
04 SECURITIES				
61000 Personal Services	1,067,856	70,000	1,137,856	6.6%
62000 Operating Expenses	150,869	-	150,869	0.0%
63000 Equipment & Intangible Assets	1,202	-	1,202	0.0%
04 SECURITIES Total	1,219,927	70,000	1,289,927	5.7%
34010 STATE AUDITOR'S OFFICE Total	52,876,375	-	52,876,375	0.0%

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 transferred 1.00 FTE and \$70,000 in state special revenue for personal services from the Central Management Division to the Securities Division. The FTE was reclassified to a security examiner. The duties of the securities examiner were formerly completed by a contract examiner who is no longer available.

Executive Request

The State Auditor's Office proposed 2023 biennium budget is \$39,000 or 0.1% less than the 2021 biennium ongoing budget.

Personal services were about \$6.6 million or 12.6% of the FY 2021 base budget appropriations of \$52.9 million. The executive proposes a decrease of about \$146,000 in FY 2022 and \$128,000 in FY 2023 in personal services. The decrease 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 4.1% of the FY 2021 base budget. The executive proposes a decrease of about \$48,000 in FY 2022 and \$110,000 in FY 2023 related to State Information Technology Services Division costs.

Both equipment and intangible assets and grants are unchanged from the FY 2021 base budget.

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. As of December 5, the State Auditor has not notified the Legislative Fiscal Division of any elected official requests.

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 about \$350,123 in state special revenue. The plan includes potential reductions in contracted services, travel, training, computer replacements, and legal costs. Impacts if the reductions were implemented include reductions in actuarial contracts and financial and market examinations.

A summary of the entire 2023 biennium 5.0% plan submitted for this agency can be found online at the Section A subcommittee page on "Tab D Materials".

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:

1. Expected Changes - This category includes those adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs including FY 2021 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers' compensation and unemployment insurance.
2. Personal Services Management Decisions - Any agency management decisions that adjusted employee pay. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff, or moving FTE between programs.
3. Modifications to the Personal Services Base Budget - Other modifications to the FY 2021 personal services base like operating plan transfers that occurred during the interim may impact the overall size of the personal services present law adjustment (DP 1)

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

Figure 2

Personal Services Present Law DP 1 - FY 2022				
Program	Expected Changes	Management Decisions	Budget Modifications	DP1 SWPL
01 CENTRAL MANAGEMENT	17,199	(29,449)	-	(12,250)
03 INSURANCE	(105,595)	6,972	-	(98,623)
04 SECURITIES	2,937	71,245	860	75,042
06 LOCAL ASSISTANCE TO COUNTIES	-	-	-	-
Agency Total	\$(85,458)	\$ 48,767	\$ 860	\$(35,831)

Personal services were about \$6.6 million or 12.6% of the FY 2021 base budget appropriations of \$52.9 million. The executive proposes a decrease of about \$36,000 in FY 2022 and \$18,000 in FY 2023 in personal services in the statewide present law adjustment. The decreases are mainly the result of turnover because the newly hired employees have lower salary and benefit costs than the employees they replaced, especially in the Insurance Division. The reductions are offset by increases for exempt staff and broadband pay adjustments within the Securities Division.

In addition to the statewide present law adjustment, the State Auditor's Office proposes to eliminate 2.0 FTE in the Insurance Division that are vacant. The new proposal removes about \$110,000 in personal services each year of the 2023 biennium.

Funding

The following table shows proposed agency funding by source of authority.

Total State Auditor's Office Funding by Source of Authority 2023 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	81,691,000	81,691,000	43.53 %
State Special Total	37,471,028	0	0	300,000	37,771,028	20.13 %
Federal Special Total	68,200,000	0	0	0	68,200,000	36.34 %
Proprietary Total	0	0	0	0	0	0.00 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$105,671,028	\$0	\$0	\$81,991,000	\$187,662,028	
Percent - Total All Sources	56.31 %	0.00 %	0.00 %	43.69 %		

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 for the office: the insurance fee account and the securities fee account. Figure 3 shows the fund balance, revenues, and expenditures for the insurance fee account from FY 2018 through FY 2023 as requested by the State Auditor's Office. Appropriations supported by the fees are included in proposed budgets of the Centralized Services and Insurance Divisions.

Figure 3

State Auditor's Office Insurance Fee Account						
	Actuals FY 2018	Actuals FY 2019	Actuals FY 2020	Budgeted FY 2021	Proposed FY 2022	Proposed FY 2023
Beginning Fund Balance	\$1,716,823	\$1,818,619	\$2,381,637	\$3,402,844	\$1,860,455	\$1,766,456
Revenues	6,537,612	6,734,044	6,742,287	6,177,101	6,616,101	6,621,101
Expenditures						
Personal Services	4,720,800	4,750,732	4,546,684	5,488,917	4,770,578	4,784,439
Operating Expenses	1,251,115	1,386,562	1,162,004	2,219,355	1,928,504	1,879,178
Equipment & Intangible Assets	7,780	33,733	9,685	6,498	6,498	6,498
Transfers	454,408	0	0	0	0	0
Debt Service	0	0	2,445	4,720	4,520	4,520
Total Expenditures	6,434,103	6,171,027	5,720,818	7,719,490	6,710,100	6,674,635
Adjustments	(1,713)	1	(262)	0	0	0
Ending Fund Balance	<u>\$1,818,619</u>	<u>\$2,381,637</u>	<u>\$3,402,844</u>	<u>\$1,860,455</u>	<u>\$1,766,456</u>	<u>\$1,712,922</u>

As shown, revenues have exceeded expenditures in FY 2018, FY 2019 and FY 2020 resulting in an increased fund balance. In FY 2021, \$859,000 in authority including one-time-only biennial appropriations for operations adjustments, retirement pay, carry forward authority, and nonbudgeted authority for reviewing the Montana State Fund totaling are included in the expenditures. These appropriations are not included in the proposed appropriations for the 2023 biennium.

**LFD
ISSUE**

The legislature may wish to consider transferring fund balance from the insurance fee account to the general fund

The fund balance for the state special revenue funded by insurance fees is increasing because revenues are greater than expenditures for the program. Under 33-2-708, MCA insurers pay to the State Auditor's Office an annual licensing fee of \$1,900 a year. The license authorizes the insurer to conduct business in Montana. Additional fees are charged for nonresidents, other types of insurance, reinstatements, original applications, and consultant's licenses. Fees are set in statute and must be changed through legislation. Figure 4 shows the budgeted appropriations for FY 2018 through FY 2020, the expenditures and percentage of the appropriations expended.

Figure 4

State Auditor's Office Insurance Fee Account			
	Actuals FY 2018	Actuals FY 2019	Actuals FY 2020
Budgeted Appropriations			
Carry forward	\$603,185	\$682,057	\$575,253
HB 2	6,523,867	6,625,016	7,094,194
Montana State Fund Review	339,569	366,563	363,983
Senate Bill 125	<u>0</u>	<u>0</u>	<u>127,100</u>
Total Budgeted Appropriations	7,466,621	7,673,636	8,160,530
Expenditures			
Carry forward	226,381	376,804	305,253
HB 2	5,550,862	5,562,458	5,184,215
Montana State Fund Review	212,290	227,007	232,288
Senate Bill 125	0	0	3,710
Nonbudgeted including transfers	444,570	4,758	(4,648)
Total Expenditures	<u>\$6,434,103</u>	<u>\$6,171,027</u>	<u>\$5,720,818</u>
Budget Remaining	\$1,032,518	\$1,502,609	\$2,439,712
% Expended	86.17%	80.42%	70.10%

As shown in Figure 4, SAO expended between 70.1% and 86.2% of budgeted appropriation in the last three years. Figure 5 shows the fund balance projected for the insurance fee account if:

- Nonbudgeted expenditures for projected carryforward and the Montana State Fund review are included
- The percentage expended is 80.0%

Figure 5

State Auditor's Office Insurance Fee Account						
	Actuals FY 2018	Actuals FY 2019	Actuals FY 2020	Budgeted FY 2021	Proposed FY 2022	Proposed FY 2023
Beginning Fund Balance	\$1,716,823	\$1,820,332	\$2,381,637	\$3,403,106	\$3,321,882	\$4,145,903
Revenues	6,537,612	6,734,044	6,742,287	6,177,101	6,616,101	6,621,101
Expenditures						
Carry forward	226,381	376,804	305,253	300,000	300,000	300,000
HB 2	5,550,862	5,562,458	5,187,925	7,292,907	6,710,100	6,674,635
Montana State Fund Review	212,290	227,007	232,288	230,000	230,000	230,000
Nonbudgeted including transfers	444,570	4,758	(4,648)	0	0	0
Total Expenditures	6,434,103	6,171,027	5,720,818	7,822,907	7,240,100	7,204,635
Adjustments	<u>0</u>	<u>(1,712)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Percentage Expended - 80.0%				6,258,325	5,792,080	5,763,708
Ending Fund Balance	<u>\$1,820,332</u>	<u>\$2,381,637</u>	<u>\$3,403,106</u>	<u>\$3,321,882</u>	<u>\$4,145,903</u>	<u>\$5,003,296</u>

As shown in Figure 5, the beginning fund balance in FY 2018 was \$1.7 million while, at the end of FY 2020 the fund balance was \$3.4 million, a 100.0% increase in three years. While Figure 3 shows a reduction in fund balance beginning in FY 2021 the projection is dependent on the total appropriations established for FY 2021 through FY 2023 being 100.0% expended. Figure 5 shows the projected fund balance using the percentage of expenditures compared to budgeted appropriations of 80.0%. In this scenario, fund balance at the end of FY 2023 would be \$5.0 million.

If the legislature wishes to maintain the license fees at their current levels, the fund balance in the insurance fee account will continue to grow as long as revenues continue to exceed expenditure levels. Currently, the securities fee account used by the State Auditor's Office to support the Securities Division has excess revenues above the expenditures needed to operate the program. The excess is transferred to the general fund at the end of each year.

The insurance fees are mostly paid at the beginning of the fiscal year in July. This results in a portion of the fund balance being used for cash flow purposes. According to the State Auditor's Office as of December 2020 the State Auditor's Office was utilizing \$400,000 of the fund balance in the insurance fee account for cash flow purposes. If the legislature wishes to sweep the insurance fee account, it should consider maintaining a level of fund balance for the agency to utilize for cash flow purposes.

The legislature may wish to consider:

- Changing statute to require that excess fund balance above a level established for cash flow in the insurance fee account be transferred to the general fund at the end of each year
- Reduce insurance fees included the annual licensing fee for insurers
- Allow the insurance fee account to continue to accumulate fund balance

The Central Services and Securities Divisions are funded with state special revenue from the securities fee account, which receives its revenue from securities portfolio registration fees charged to investment advisors and investment companies, as well as from security licenses and permits. In accordance with 30-1-115, MCA, unspent collections from security licenses and permits are deposited into the general fund. Deposits into the general fund were about \$6.3 million in FY 2020. Figure 6 shows the fund balance, revenues, and expenditures for the securities fee account. Therefore, appropriations to the program directly impact the general fund.

Figure 6

State Auditor's Office Securities Fee Account						
	Actuals FY 2018	Actuals FY 2019	Actuals FY 2020	Budgeted FY 2021	Proposed FY 2022	Proposed FY 2023
Beginning Fund Balance	\$191,348	\$226,024	\$189,314	\$383,096	\$125,590	\$40,973
Revenues	8,343,532	8,289,630	7,903,667	7,528,937	6,887,640	7,178,509
Expenditures						
Personal Services	1,149,930	1,123,496	1,121,732	1,615,225	1,458,677	1,462,618
Operating Expenses	266,870	247,968	326,913	273,532	279,125	266,395
Equipment & Intangible Assets	1,945	16,483	0	1,496	1,496	1,496
Transfers	6,890,111	6,938,393	6,260,514	5,894,972	5,231,741	5,526,183
Debt Service	0	0	726	1,218	1,218	1,218
Total Expenditures	8,308,856	8,326,340	7,709,885	7,786,443	6,972,257	7,257,910
Adjustments	0	0	0	0	0	0
Ending Fund Balance	\$226,024	\$189,314	\$383,096	\$125,590	\$40,973	(\$38,428)

The 2019 Legislature passed HB 694 which increased fees paid by investment firms. The increased revenues are deposited directly into the general fund and are not reflected in Figure 6.

LFD COMMENT Based on revenue projections developed by the State Auditor's Office and proposed appropriations, the securities fee account is over appropriated in FY 2023. The legislature may wish to discuss with the State Auditor's Office it's revenue projections for the securities fee account and the agency's plans if the funding is not sufficient for proposed expenditures in FY 2023.

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 2020 allowing the state to utilize annual assessments on health insurance plan premiums to be used as a match for federal funds to offset expenses of health insurers associated with high cost individuals who incur high cost 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 Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	0	0	0	0.00 %	52,876,375	52,876,375	105,752,750	100.08 %
SWPL Adjustments	0	0	0	0.00 %	91,150	46,968	138,118	0.13 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	(109,884)	(109,956)	(219,840)	(0.21)%
Total Budget	\$0	\$0	\$0		\$52,857,641	\$52,813,387	\$105,671,028	

HB 2 Language

The executive has not proposed any HB 2 language for the State Auditor's Office.

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	2,920,035	2,845,272	(74,763)	(2.56)%
Operating Expenses	1,288,223	1,315,573	27,350	2.12 %
Equipment & Intangible Assets	3,366	3,366	0	0.00 %
Debt Service	485	0	(485)	(100.00)%
Total Expenditures	\$4,212,109	\$4,164,211	(\$47,898)	(1.14)%
State/Other Special Rev. Funds	4,212,109	4,164,211	(47,898)	(1.14)%
Total Funds	\$4,212,109	\$4,164,211	(\$47,898)	(1.14)%
Total Ongoing	\$4,192,109	\$4,164,211	(\$27,898)	(0.67)%
Total OTO	\$20,000	\$0	(\$20,000)	(100.00)%

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

Central Management Division Major Budget Highlights
<ul style="list-style-type: none"> • The Central Management Division’s 2023 biennium budget request is about \$48,000 or 1.1% lower than the 2021 biennium budget • Proposed changes are those included in statewide present law adjustments for personal services, fixed costs, and inflation/deflation

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	16.00	16.00	16.00	16.00
Personal Services	1,152,244	1,486,672	1,433,363	1,421,113	1,424,159
Operating Expenses	429,489	648,782	639,441	664,501	651,072
Equipment & Intangible Assets	0	1,683	1,683	1,683	1,683
Debt Service	436	485	0	0	0
Total Expenditures	\$1,582,169	\$2,137,622	\$2,074,487	\$2,087,297	\$2,076,914
State/Other Special Rev. Funds	1,582,169	2,137,622	2,074,487	2,087,297	2,076,914
Total Funds	\$1,582,169	\$2,137,622	\$2,074,487	\$2,087,297	\$2,076,914
Total Ongoing	\$1,582,169	\$2,117,622	\$2,074,487	\$2,087,297	\$2,076,914
Total OTO	\$0	\$20,000	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

Central Management expended 74.0% of its \$2.1 million in FY 2020 modified HB 2 budget. Personal services were 77.5% expended, and operating expenses were 66.2% expended.

Personal services are lower than anticipated in the budget due to vacancies within the office. Central Management has 3.00 FTE vacant as of September 4, 2020. Of these positions, 1.00 FTE has been vacant since January 7, 2017 and the other since June 11, 2018. The vacancies are driving lower expenditures for personal services in FY 2020.

Operating expenses are below levels anticipated in the FY 2020 modified HB 2 budget due to lower costs for Information Technology Services Division services and reduced spending on office equipment and computer hardware.

FY 2020 Appropriations Compared to FY 2021 Appropriations

FY 2021 appropriations are slightly lower than FY 2020. Personal services are higher in FY 2020 due to a one-time-only, restricted, biennial appropriations for agency retirement benefit payments included in FY 2020. Operating expenses are higher in FY 2020 due to a biennial appropriation for legislative audit services including in FY 2020 appropriations.

Executive Request

The Central Management Division budget proposed by the executive is \$48,000 or 1.1% less than the 2021 biennium budget.

Personal services were about \$1.4 million or 69.1% of the FY 2021 base budget. The executive proposed a decrease of about \$12,250 in FY 2022 and \$9,204 in FY 2023. The decreases are included in the statewide present law adjustments for personal services discussed in the following Program Personal Services narrative.

Operating expenses were about \$639,000 or 30.8% of the FY 2021 base budget. The executive proposes an increase of about \$25,000 in FY 2022 and \$12,000 in FY 2023. The increases are part of the statewide present law adjustments for fixed costs and inflation/deflation and are mainly due to biennial legislative audit costs and increases in statewide indirect costs allocated to the State Auditor's Office.

Program Personal Services

Personal services were about \$1.4 million or 69.1% of the FY 2021 base budget. The executive proposes a statewide present law decrease of about \$12,000 in FY 2022 and \$9,000 in FY 2023. In addition to the expected changes, the 2023 biennium personal service statewide present law adjustment includes management decisions including:

- Broadband pay raises and wage changes due to employee turnover
- FTE movement between the Central Services Division and the Securities Division that transferred 1.00 FTE and \$70,000 of personal services authority out of Central Services Division and into the Securities Division

Funding

The following table shows proposed program funding by source 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	3,429,498	0	0	0	3,429,498	82.36 %	
02283 Securities Fee Account	734,713	0	0	0	734,713	17.64 %	
State Special Total	\$4,164,211	\$0	\$0	\$0	\$4,164,211	100.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$4,164,211	\$0	\$0	\$0	\$4,164,211		

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 Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	0	0	0	0.00 %	2,074,487	2,074,487	4,148,974	99.63 %
SWPL Adjustments	0	0	0	0.00 %	12,810	2,427	15,237	0.37 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$2,087,297	\$2,076,914	\$4,164,211	

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 2022-----					-----Fiscal 2023-----				
	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	(12,250)	0	(12,250)	0.00	0	(9,204)	0	(9,204)
DP 2 - Fixed Costs	0.00	0	25,100	0	25,100	0.00	0	11,656	0	11,656
DP 3 - Inflation Deflation	0.00	0	(40)	0	(40)	0.00	0	(25)	0	(25)
Grand Total All Present Law Adjustments	0.00	\$0	\$12,810	\$0	\$12,810	0.00	\$0	\$2,427	\$0	\$2,427

**"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:

- Expected changes
- Personal services management decisions
- Modifications made to the personal services budget in the 2021 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, 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 food, postage, gasoline, and others.

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	8,287,525	7,747,156	(540,369)	(6.52)%
Operating Expenses	3,176,441	2,924,399	(252,042)	(7.93)%
Equipment & Intangible Assets	10,218	10,218	0	0.00 %
Grants	88,058,696	88,062,286	3,590	0.00 %
Debt Service	2,270	0	(2,270)	(100.00)%
Total Expenditures	\$99,535,150	\$98,744,059	(\$791,091)	(0.79)%
State/Other Special Rev. Funds	31,335,150	30,544,059	(791,091)	(2.52)%
Federal Spec. Rev. Funds	68,200,000	68,200,000	0	0.00 %
Total Funds	\$99,535,150	\$98,744,059	(\$791,091)	(0.79)%
Total Ongoing	\$98,995,150	\$98,744,059	(\$251,091)	(0.25)%
Total OTO	\$540,000	\$0	(\$540,000)	(100.00)%

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

Insurance Division Major Budget Highlights
<ul style="list-style-type: none"> • The Insurance Division’s 2023 biennium budget request is about \$251,000 or 0.3% lower than the ongoing 2021 biennium budget • Proposed changes are the result of statewide present law adjustments for personal services, fixed costs, and inflation/deflation

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	46.00	46.00	44.00	44.00
Personal Services	3,274,423	4,211,152	4,076,373	3,867,866	3,879,290
Operating Expenses	802,174	1,602,105	1,574,336	1,481,491	1,442,908
Equipment & Intangible Assets	9,685	5,109	5,109	5,109	5,109
Grants	62,025	44,027,553	44,031,143	44,031,143	44,031,143
Debt Service	2,100	2,270	0	0	0
Total Expenditures	\$4,150,407	\$49,848,189	\$49,686,961	\$49,385,609	\$49,358,450
State/Other Special Rev. Funds	4,118,382	15,748,189	15,586,961	15,285,609	15,258,450
Federal Spec. Rev. Funds	32,025	34,100,000	34,100,000	34,100,000	34,100,000
Total Funds	\$4,150,407	\$49,848,189	\$49,686,961	\$49,385,609	\$49,358,450
Total Ongoing	\$4,056,861	\$49,483,189	\$49,511,961	\$49,385,609	\$49,358,450
Total OTO	\$93,546	\$365,000	\$175,000	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The Insurance Division expended 8.3% of its \$49.8 million FY 2020 modified HB 2 budget. Personal services were 77.8% expended, operating expenses were 50.1% expended, and grants were less than 1.0% expended.

As of September 4, 2020, the Insurance Division had 6.00 FTE vacant or 13.0% of its HB 2 positions. The vacancies are driving the lower expenditures for personal services. In addition, the 2019 Legislature provided the Insurance Division with \$454,000 in appropriations for operating expenses for insurance contract examiners, market conduct examination contracts, captive insurance adjustments and to partially offset a reduction in FTE and associated personal services funding. The majority of this funding was not needed in FY 2020.

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. In FY 2020 the Montana Reinsurance Program did not assess members to generate funding for the program and did not have requests for grants. For further discussion please refer to the Executive Request narrative.

FY 2020 Appropriations Compared to FY 2021 Appropriations

FY 2021 appropriations are slightly lower than FY 2020. Personal services are higher in FY 2020 due to a one-time-only, restricted, biennial appropriations for agency retirement benefit payments included in FY 2020. Operating expenses are higher in FY 2020 due to a biennial appropriation for legislative audit services included in FY 2020 appropriations.

Executive Request

The Insurance Division budget proposed by the executive is \$251,000 or 0.3% less than the ongoing 2021 biennium budget.

Personal services were about \$4.1 million or 8.2% of the ongoing FY 2021 base budget. The executive proposes a decrease from the FY 2021 base budget in both years, about \$209,000 in FY 2022 and \$197,000 in FY 2023. These changes are discussed in the following Program Personal Services narrative.

Ongoing operating expenses were about \$1.6 million or 3.2% of the FY 2021 base budget. The executive proposes an increase of approximately \$82,000 in FY 2022 and \$44,000 in FY 2023. 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 88.6% of the FY 2021 base budget and are proposed at the same level for the 2023 biennium budget.

LFD COMMENT Appropriation levels for the Montana Reinsurance Program were established by the 2019 Legislature based on information received from programs in other states and included in the fiscal note for the bill authorizing the program. As of November 3, 2020, the State Auditor’s Office had only collected \$75,000 in premiums on health insurance policies that would establish the state special revenue supporting the program. The legislature may wish to discuss updated projections for the program during the Joint Appropriation Subcommittee on General Government budget hearings.

Program Personal Services

Personal services were about \$4.1 million or 8.2% of the ongoing FY 2021 base budget. The executive proposes a statewide present law adjustment decrease of about \$209,000 in FY 2022 and \$197,000 in FY 2023. As discussed in the Agency Personal Services narrative, the State Auditor’s Office has experienced a high level of turn-over and vacant positions in the 2021 biennium. In the Insurance Division, 7.00 FTE were vacant at the time the budget was developed. Between July 2018 and July 2020, 17.00 FTE turned over, with newly hired individuals at lower salary levels than those previously in the positions. Included in the executive 2023 budget is a new proposal to remove 2.00 FTE and about \$110,000 each year of the biennium. This is discussed further under New Proposals.

LFD COMMENT The Insurance Division personal services changes included in the statewide present law adjustments are not funded at the same percentage as the FY 2021 base budget, creating what appears to be a fund shift. The positions in the Insurance Division are supported through state special revenue funds while grants are supported through a combination of state and federal special revenue funds. This results in a difference between personal services funding and funding at the division level.

Funding

The following table shows proposed program funding by source 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	9,955,237	0	0	0	9,955,237	32.59 %	
02528 Captive Account	726,536	0	0	0	726,536	2.38 %	
02323 Reinsurance Assessment SB 125	19,862,286	0	0	0	19,862,286	65.03 %	
State Special Total	\$30,544,059	\$0	\$0	\$0	\$30,544,059	30.93 %	
03543 Reinsurance Federal SB 125	68,200,000	0	0	0	68,200,000	100.00 %	
Federal Special Total	\$68,200,000	\$0	\$0	\$0	\$68,200,000	69.07 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$98,744,059	\$0	\$0	\$0	\$98,744,059		

The Insurance Division 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 account to provide support for the program. According to the statute the Board of Directors for the Montana Reinsurance Program were to determine the timing of the assessments beginning in 2020. As of November 3, 2020, the State Auditor's Office had not assessed members on their premium volume for the Montana Reinsurance 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 Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	0	0	0	0.00 %	49,511,961	49,511,961	99,023,922	100.28 %
SWPL Adjustments	0	0	0	0.00 %	(16,468)	(43,555)	(60,023)	(0.06)%
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	(109,884)	(109,956)	(219,840)	(0.22)%
Total Budget	\$0	\$0	\$0		\$49,385,609	\$49,358,450	\$98,744,059	

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 2022-----				-----Fiscal 2023-----					
	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	(98,623)	0	(98,623)	0.00	0	(87,127)	0	(87,127)
DP 2 - Fixed Costs	0.00	0	82,360	0	82,360	0.00	0	43,701	0	43,701
DP 3 - Inflation Deflation	0.00	0	(205)	0	(205)	0.00	0	(129)	0	(129)
Grand Total All Present Law Adjustments	0.00	\$0	(\$16,468)	\$0	(\$16,468)	0.00	\$0	(\$43,555)	\$0	(\$43,555)

**"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:

- Expected changes
- Personal services management decisions
- Modifications made to the personal services budget in the 2021 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, 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 food, postage, gasoline, and others.

New Proposals

The New Proposals table shows new changes to spending

New Proposals	-----Fiscal 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4 - Remove Vacant Positions - Insurance Division	(2.00)	0	(109,884)	0	(109,884)	(2.00)	0	(109,956)	0	(109,956)
Total	(2.00)	\$0	(\$109,884)	\$0	(\$109,884)	(2.00)	\$0	(\$109,956)	\$0	(\$109,956)

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

DP 4 - Remove Vacant Positions - Insurance Division -

The executive proposes to remove two positions that are no longer needed in the Insurance Division. The first position is a legal secretary in the Legal Section. The Legal Section currently has a legal secretary and a paralegal and does not require a second legal secretary. The second position is a license permit technician in the Insurance Services Bureau. Due to efficiencies in daily processing, the duties of this vacant position have been absorbed by other bureau staff, and it is no longer needed to provide service in this area.

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	2,273,809	2,429,128	155,319	6.83 %
Operating Expenses	310,784	331,226	20,442	6.58 %
Equipment & Intangible Assets	2,404	2,404	0	0.00 %
Debt Service	718	0	(718)	(100.00)%
Total Expenditures	\$2,587,715	\$2,762,758	\$175,043	6.76 %
State/Other Special Rev. Funds	2,587,715	2,762,758	175,043	6.76 %
Total Funds	\$2,587,715	\$2,762,758	\$175,043	6.76 %
Total Ongoing	\$2,522,715	\$2,762,758	\$240,043	9.52 %
Total OTO	\$65,000	\$0	(\$65,000)	(100.00)%

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

Securities Division Major Budget Highlights
<ul style="list-style-type: none"> • The Securities Division’s 2023 biennium budget request is about \$240,000 or 9.5% higher than the ongoing 2021 biennium budget • Proposed changes include increases for statewide present law adjustments for personal services and fixed costs

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	12.50	12.50	12.50	12.50
Personal Services	848,275	1,135,953	1,137,856	1,212,898	1,216,230
Operating Expenses	237,896	159,915	150,869	170,635	160,591
Equipment & Intangible Assets	0	1,202	1,202	1,202	1,202
Debt Service	639	718	0	0	0
Total Expenditures	\$1,086,810	\$1,297,788	\$1,289,927	\$1,384,735	\$1,378,023
State/Other Special Rev. Funds	1,086,810	1,297,788	1,289,927	1,384,735	1,378,023
Total Funds	\$1,086,810	\$1,297,788	\$1,289,927	\$1,384,735	\$1,378,023
Total Ongoing	\$1,086,810	\$1,232,788	\$1,289,927	\$1,384,735	\$1,378,023
Total OTO	\$0	\$65,000	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The Securities Division expended 83.7% of its \$1.3 million FY 2020 modified HB 2 budget. Personal services were 74.7% expended, and operating expenses were 148.8% expended.

As of September 4, 2020, the Securities Division had 4.50 FTE vacant or 36.0% of its HB 2 positions vacant. The vacancies are driving the lower expenditures for personal services. Operating expenses were higher than anticipated in the budget due to legal costs.

FY 2020 Appropriations Compared to FY 2021 Appropriations

FY 2021 appropriations for personal services are slightly higher than FY 2020 appropriations due to the pay plan approved by the 2019 Legislature. Operating expenses are higher in FY 2020 due to a biennial appropriation for legislative audit services included in FY 2020 appropriations.

Executive Request

The Securities Division budget proposed by the executive is about \$240,000 or 9.5% higher than the ongoing 2021 biennium budget.

Personal services were about \$1.1 million or 88.2% of the FY 2021 base budget. The executive proposes an increase of about \$75,000 in FY 2022 and \$78,000 in FY 2023. 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 \$151,000 or 11.7% of FY 2021 base budget appropriations. The executive proposes an increase of about \$19,800 in FY 2022 and \$9,700 in FY 2023 due to a biennial appropriation for legislative audit costs included in FY 2022 and increased costs for statewide indirect costs included in both fiscal years.

Program Personal Services

Personal services for the Securities Division were approximately \$1.1 million or 88.2% of the FY 2021 base budget. The executive proposes statewide present law adjustment increases of \$75,000 in FY 2022 and \$78,000 in FY 2023. In addition to the expected changes, the 2023 biennium personal services statewide present law adjustment request includes management decisions for broadband pay raises and wage changes due to employee turnover. Also included is the movement of 1.00 FTE and \$70,000 in personal services funding from the Central Management Division into the Securities Division.

Funding

The following table shows proposed program funding by source 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	9.80 %
02283 Securities Fee Account	2,762,758	0	0	0	2,762,758	90.20 %
State Special Total	\$2,762,758	\$0	\$0	\$300,000	\$3,062,758	100.00 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$2,762,758	\$0	\$0	\$300,000	\$3,062,758	

HB 2

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.

LFD COMMENT	<p>The revenues collected in the securities fee account are driven by what is happening in the financial markets and in the economy as well as statutory changes to the fees. The 2019 Legislature doubled the registration fees for broker-dealer and investment advisors and the fees for out-of-state salespersons and investment advisor representatives. These fees are deposited directly into the general fund and are not reflected in Figure 6 in the agency summary. Impacts from the COVID-19 pandemic have impacted the number of investment products available to investors. Since the investment products are dependent on the financial markets, as the economy has softened the number of products has retracted and the revenues to the State Auditor have decreased.</p> <p>There are two transfers of excess revenues from the securities fees account. The first transfer is 4.5% of portfolio fees to the security restitution fund. These funds are used to reimburse victims of securities fraud. The transfers end June 30, 2021. At the end of FY 2020 the ending fund balance in the securities restitution fund was \$1,067,175.</p> <p>The remaining excess revenues are transferred to the general fund. The estimated transfers from the account are included in the Agency Funding narrative in Figure 6.</p>
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Statutory Appropriations

As discussed in the LFD Comment, 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 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	0	0	0	0.00 %	1,289,927	1,289,927	2,579,854	93.38 %
SWPL Adjustments	0	0	0	0.00 %	94,808	88,096	182,904	6.62 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$1,384,735	\$1,378,023	\$2,762,758	

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 2022-----					-----Fiscal 2023-----				
	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	75,042	0	75,042	0.00	0	78,374	0	78,374
DP 2 - Fixed Costs	0.00	0	19,870	0	19,870	0.00	0	9,787	0	9,787
DP 3 - Inflation Deflation	0.00	0	(104)	0	(104)	0.00	0	(65)	0	(65)
Grand Total All Present Law Adjustments	0.00	\$0	\$94,808	\$0	\$94,808	0.00	\$0	\$88,096	\$0	\$88,096

**"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:

- Expected changes
- Personal services management decisions
- Modifications made to the personal services budget in the 2021 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, 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 food, postage, gasoline, and others.