

**Agency Budget Comparison**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	85.80	85.80	87.80	87.80	85.80	87.80	2.00	2.33%
Estimated Impact of HB 2*			(3.03)	(3.03)		(3.03)	(3.03)	
<b>Net Estimated FTE*</b>			<b>84.77</b>	<b>84.77</b>		<b>84.77</b>	<b>(1.03)</b>	
Personal Services	5,163,890	5,228,420	5,814,197	5,788,266	10,392,310	11,602,463	1,210,153	11.64%
Operating Expenses	2,452,750	2,256,566	3,583,604	3,333,398	4,709,316	6,917,002	2,207,686	46.88%
Equipment & Intangible Assets	8,695	13,751	8,695	8,695	22,446	17,390	(5,056)	(22.53%)
Benefits & Claims	10,448,099	10,678,166	10,004,758	10,004,758	21,126,265	20,009,516	(1,116,749)	(5.29%)
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$18,073,434</b>	<b>\$18,176,903</b>	<b>\$19,411,254</b>	<b>\$19,135,117</b>	<b>\$36,250,337</b>	<b>\$38,546,371</b>	<b>\$2,296,034</b>	<b>6.33%</b>
General Fund	0	0	1,646,660	6,763,375	0	8,410,035	8,410,035	n/a
State Special	18,073,434	18,176,903	17,764,594	12,371,742	36,250,337	30,136,336	(6,114,001)	(16.87%)
Federal Special	0	0	0	0	0	0	0	n/a
<b>Total Funds</b>	<b>\$18,073,434</b>	<b>\$18,176,903</b>	<b>\$19,411,254</b>	<b>\$19,135,117</b>	<b>\$36,250,337</b>	<b>\$38,546,371</b>	<b>\$2,296,034</b>	<b>6.33%</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

**Agency Description**

The mission of the State Auditor's Office is to assure compliance with the Montana insurance and securities laws, promote captive insurance formations, administer the Insure Montana program, and assist consumers with complaints involving the securities and insurance industries.

**Agency Highlights**

<b>State Auditor's Office Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The 2015 biennium appropriation for the State Auditor's Office is \$2.3 million and 2.00 FTE higher than the 2013 biennium budget due to:                             <ul style="list-style-type: none"> <li>• \$1.0 million for increased costs and anticipated workloads to examine both insurance companies and securities firms</li> <li>• \$0.8 million in statewide present law adjustments to fully fund positions and fixed cost and inflationary increases</li> <li>• \$0.7 million to upgrade and maintain information technology systems</li> <li>• \$0.4 million for continuation of 1.00 FTE funded from a one-time appropriation in the 2013 biennium and for 1.00 new information technology FTE</li> <li>• \$0.2 million for market pay adjustments in the 2015 biennium</li> </ul> </li> <li>◆ The one-time \$8.4 million general fund appropriation provides about 40% of the funds needed to continue the Insure Montana program through the 2015 biennium and is offset by a reduction in state special revenue support for the program</li> <li>◆ Total cost increases are partially offset by a net of \$0.9 million in state special revenue reductions for the Insure Montana program and by \$0.2 million in additional vacancy savings</li> </ul>

**Summary of Legislative Action**

The legislative 2015 biennium appropriation is \$2.3 million higher than the 2013 biennium largely due to a combination of approval of requests from the Commissioner of Securities and Insurance (CSI) and some offsetting reductions in present law proposals. The legislature provided one-time funding from the general fund, insurance fee state special revenue, and the health and Medicaid initiative state special revenue account to continue the Insure Montana program for two years. The executive budget had eliminated the program effective January 1, 2014 in anticipation of the startup of insurance exchanges and due to a significant shortfall in the health and Medicaid initiatives state special revenue account that historically supported the program. Since the general fund was used to cover a shortfall in state special revenue, there was not an overall increase in funding due to this legislative decision. Other significant changes approved by the legislature are listed in the Major Budget Highlights table and discussed in greater detail in the division appropriation narratives.

*Boilerplate*

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 3.03 FTE for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

**Funding**

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total State Auditor's Office Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$8,410,035	\$0	\$58,177,683	\$66,587,718	68.8%
State Special Total	30,136,336	-	27,500	30,163,836	31.2%
Federal Special Total	-	-	-	-	0.0%
Proprietary Total	-	-	-	-	0.0%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
<b>Total All Funds</b>	<b><u>\$38,546,371</u></b>	<b><u>\$0</u></b>	<b><u>\$58,205,183</u></b>	<b><u>\$96,751,554</u></b>	
Percent - Total All Sources	39.8%	0.0%	60.2%		

The State Auditor’s Office is funded from general fund and state special revenue. General fund is appropriated on a one-time basis to continue funding for the Insure Montana program for the 2015 biennium.

State special revenue sources are:

- Fees paid by insurance companies and security firms for insurance and security oversight
- Tobacco tax revenues from the health and Medicaid initiatives account for Insure Montana
- Tobacco settlement funds the state high risk pool (Montana Comprehensive Health Association)

Some of the fee revenue collected by the office is transferred to the general fund via a statutory appropriation, while revenue remaining in selected state special revenue accounts is transferred to the general fund at fiscal yearend.

The SAO received some federal grant funds that are not ongoing in the 2015 biennium.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	18,073,434	18,073,434	36,146,868	93.78%
Statewide PL Adjustments	0	0	0	0.00%	417,122	382,547	799,669	2.07%
Other PL Adjustments	0	0	0	0.00%	774,641	787,128	1,561,769	4.05%
New Proposals	1,646,660	6,763,375	8,410,035	100.00%	146,057	(107,992)	38,065	0.10%
<b>Total Budget</b>	<b>\$1,646,660</b>	<b>\$6,763,375</b>	<b>\$8,410,035</b>		<b>\$19,411,254</b>	<b>\$19,135,117</b>	<b>\$38,546,371</b>	

The majority of the legislative budget supports continuation of present law services. New proposals, including the addition of general fund to continue the Insure Montana program, contribute less than 1% of the total 2015 biennium budget. The increase in the general fund support for the Insure Montana program is offset by reductions in state special revenue, netting to less than \$40,000 in total funds over the biennium.

**Other Legislation**

HB 13 – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches and the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

HB 48 – This bill requires eligibility for premium assistance provided by the Insure Montana program to be based on household income rather than an individual employee’s salary and limits premium assistance to households earning no more than 400% of the federal poverty level (about \$94,000 for a family of 4 in 2013).

HB 81 – This bill provides for a temporary diversion of 4.5% from securities fees collected by the CSI. The bill directed that a portion of securities fees be deposited in a securities restitution assistance fund rather than the general fund. Money from the state special revenue fund is statutorily appropriated to pay compensation to victims of securities fraud. It is estimated that the allocation will provide about \$272,500 each year of the 2015 biennium. The fund terminates June 30, 2017.

HB 87 – This bill requires insurers to file health insurance rates with the State Auditor’s Office and provide documentation supporting the development of the rates. The CSI is required to review rate filings for each health insurance insurer and consider whether the proposed premium rate is excessive, inadequate, unjustified, or unfairly discriminatory and provide a notice of deficiencies if any are found to exist. The SAO will need to contract with actuaries to perform the duties prescribed in HB 87. The bill includes an appropriation of \$204,000 from insurance fee state special revenue each year of the biennium.

**HB 250** – This bill requires the State Auditor to implement and manage a training and certification program for persons to become certified as a navigator on the new health insurance exchange that will be operational January 1, 2014. Persons must pay an application fee of \$100 to become certified and a biennial renewal fee of \$50 to maintain certification. The fiscal note for HB 250 estimated that fee revenue would be \$2,575 in FY 2014 and \$5,000 in FY 2015. The legislature did not appropriate additional funds to implement this bill.

**SB 223** – This bill requires that the Montana Comprehensive Health Association (MCHA) board of directors develop a plan to terminate the MCHA due to changes in the federal Affordable Care Act that will allow for coverage on the federal individual health insurance exchange. Individuals who currently participate in MCHA due to inability to obtain health insurance in the private market will be eligible for coverage in the federal exchange. Additionally, low income individuals will have access to premium and co-pay assistance. The termination plan is subject to the review and approval of the CSI and to the review of the Interim Committee on Economic Affairs. The fiscal note for SB 223 anticipates that the MCA will need the full appropriation in FY 2014 (\$946,455) and most of the FY 2015 appropriation to pay incurred but not reported insurance claims. The fiscal note estimated that \$325,000 of the \$943,696 FY 2015 appropriation would not be expended.

### Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg – Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg – Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	85.80	83.80	87.80	4.00	79.80	87.80	8.00	
Estimated Impact of HB 2*			(3.03)	(3.03)		(3.03)	(3.03)	
<b>Net Estimated FTE*</b>			<b>84.77</b>	<b>0.97</b>		<b>84.77</b>	<b>4.97</b>	
Personal Services	5,163,890	5,414,590	5,814,197	399,607	5,214,565	5,788,266	573,701	973,308
Operating Expenses	2,452,750	3,504,568	3,583,604	79,036	3,628,028	3,333,398	(294,630)	(215,594)
Equipment & Intangible Assets	8,695	7,994	8,695	701	7,994	8,695	701	1,402
Benefits & Claims	10,448,099	5,686,832	10,004,758	4,317,926	925,563	10,004,758	9,079,195	13,397,121
Transfers	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$18,073,434</b>	<b>\$14,613,984</b>	<b>\$19,411,254</b>	<b>\$4,797,270</b>	<b>\$9,776,150</b>	<b>\$19,135,117</b>	<b>\$9,358,967</b>	<b>\$14,156,237</b>
General Fund	0	0	1,646,660	1,646,660	0	6,763,375	6,763,375	8,410,035
State/Other Special	18,073,434	14,613,984	17,764,594	3,150,610	9,776,150	12,371,742	2,595,592	5,746,202
Federal Special	0	0	0	0	0	0	0	0
<b>Total Funds</b>	<b>\$18,073,434</b>	<b>\$14,613,984</b>	<b>\$19,411,254</b>	<b>\$4,797,270</b>	<b>\$9,776,150</b>	<b>\$19,135,117</b>	<b>\$9,358,967</b>	<b>\$14,156,237</b>

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The 2015 biennium legislative appropriation is \$14.2 million higher, including funding for 8.00 FTE in FY 2015, than the executive budget request primarily due to approval for one-time appropriations to continue funding for the Insure Montana program through the 2015 biennium. The executive budget removed funding for the program effective January 1, 2014. Other changes net to very little difference between the executive request and legislative appropriation.

Historically the Insure Montana program has been funded from tobacco tax deposited in the health and Medicaid initiatives state special revenue account. However, the ongoing appropriations from the account exceed ongoing revenues. In addition, the impact that the implementation of the Patient Protection and Affordable Care Act (ACA) will have on the Insure Montana program is uncertain. Therefore, the legislature opted to continue funding for Insure Montana for another biennium to evaluate the effect of ACA during the next session, and appropriated general fund to do so since the state special revenue account did not have sufficient revenue.