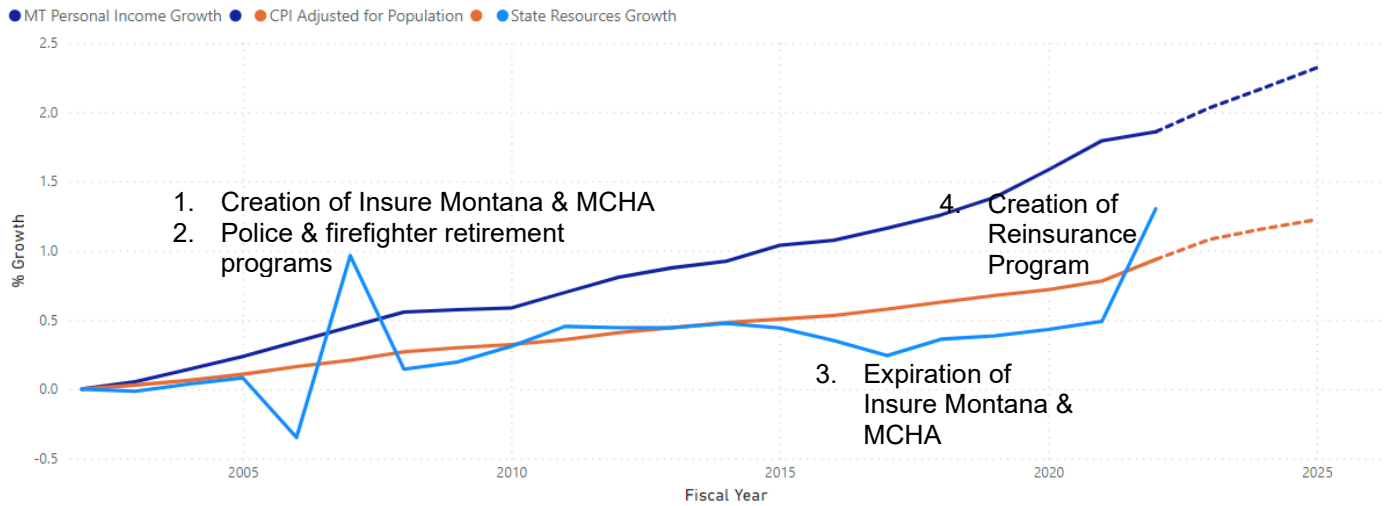


State Auditor's Office

The chart shows the growth in state resource expenditures compared to the growth in personal income and growth in inflation.



This report includes a series of charts that compare state resource expenditure growth to the growth in personal income and growth in inflation adjusted for population. Montana statute, 17-8-106, MCA, recommends using growth in personal income for comparison purposes. Personal income is a measure for growth in the economy. Comparing growth allows financial planners to consider past and future demands in services or changes in revenues.

The following list discusses in more detail the inflection points on the charts:

1. Passed in November 2002, I-146 dedicated a portion of Montana's tobacco settlement funds to the Montana Comprehensive Health Association (MCHA), which provided health insurance benefits to Montanans who could not otherwise afford or acquire health insurance. Additionally, the passage of Initiative 149 in 2004 increased tobacco taxes substantially, and a portion of this new revenue was allocated to the Insure Montana Program to help small businesses provide employee health insurance.
2. In FY 2006 and FY 2007, the expenditure timing of pass-through payments to local police and firefighter retirement programs caused a drop and spike in the expenditures. Both payments were made in FY 2007, rather than half the amount being paid in FY 2006 and half in FY 2007. However, if the expenditures had been split evenly between FY 2006 and FY 2007, the trend in expenditures would have increased at a relatively consistent rate.
3. In FY 2015, funding for both the Insure Montana Program and the Montana Comprehensive Health Association (MCHA) expired.
4. In FY 2020 and FY 2021, SB 125 (passed during the 2019 Legislative Session) established the Montana Reinsurance Association and created a new program within the State Auditor's Office. The office was appropriated a total of approximately \$9.9 million in state special revenue and \$34.1 million in federal special revenues in each fiscal year for the program. The bill also implemented a 1% assessment on premium volume annually for major medical health insurers on the individual and employer group health insurance market and a 1.2% assessment on premium volume annually for other health, disability, and stop-loss insurers. The fiscal note attached to the bill estimated the increase in state special revenue expenditures will be fully offset by revenues of \$9.9 million in both FY 2020 and FY 2021. The Montana

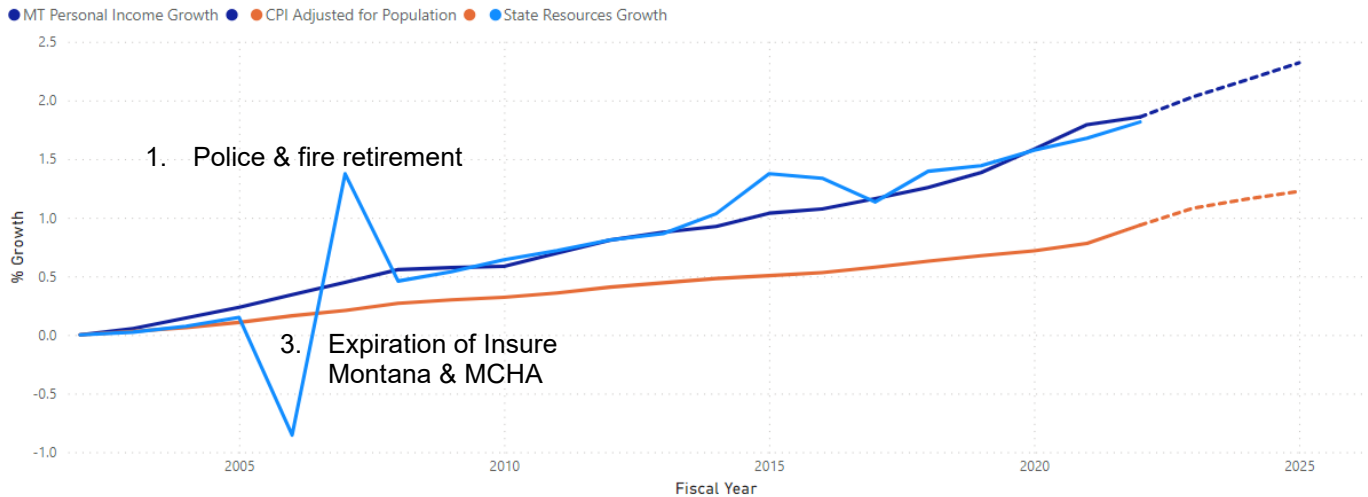
Reinsurance Program utilizes annual assessments on health insurance plan premiums deposited into the state special revenue fund to supplement federal funding as needed. Both the state and federal special revenues are used to offset expenses of health insurers associated with high-cost individuals who incur high-cost claims.

General Fund

General fund spending for the State Auditor’s Office is passed through to state and local governments through the Fire and Police Retirement Program and are not directly expended by the State Auditor’s Office.

General Fund Only

The chart shows the growth in state resource expenditures compared to the growth in personal income and growth in inflation.



Due to the timing of expenditures (where both payments were made in one year) for local police & firefighter retirement programs, the original data appear to show a major change in total expenditure. However, the deviation from trend is smoothed when the data is presented as if funds had been expensed evenly across fiscal years.



State Special Revenue

Nearly all the primary functions for the State Auditor's Office are funded with state special revenue. There are three major state special revenue accounts used by the agency: the insurance fee account, the captive account, and the securities fee account. Over the last 20 years, state special revenue expenditures increased until FY 2014 when they began to decline. This decrease is due to the expiration of the Insure Montana Program and the Montana Comprehensive Health Association (MCHA). The spike in state special revenue appropriations for FY 2020 and FY 2021 is due to the creation of the Montana Reinsurance Association.

State Special Only

The chart shows the growth in state resource expenditures compared to the growth in personal income and growth in inflation.

