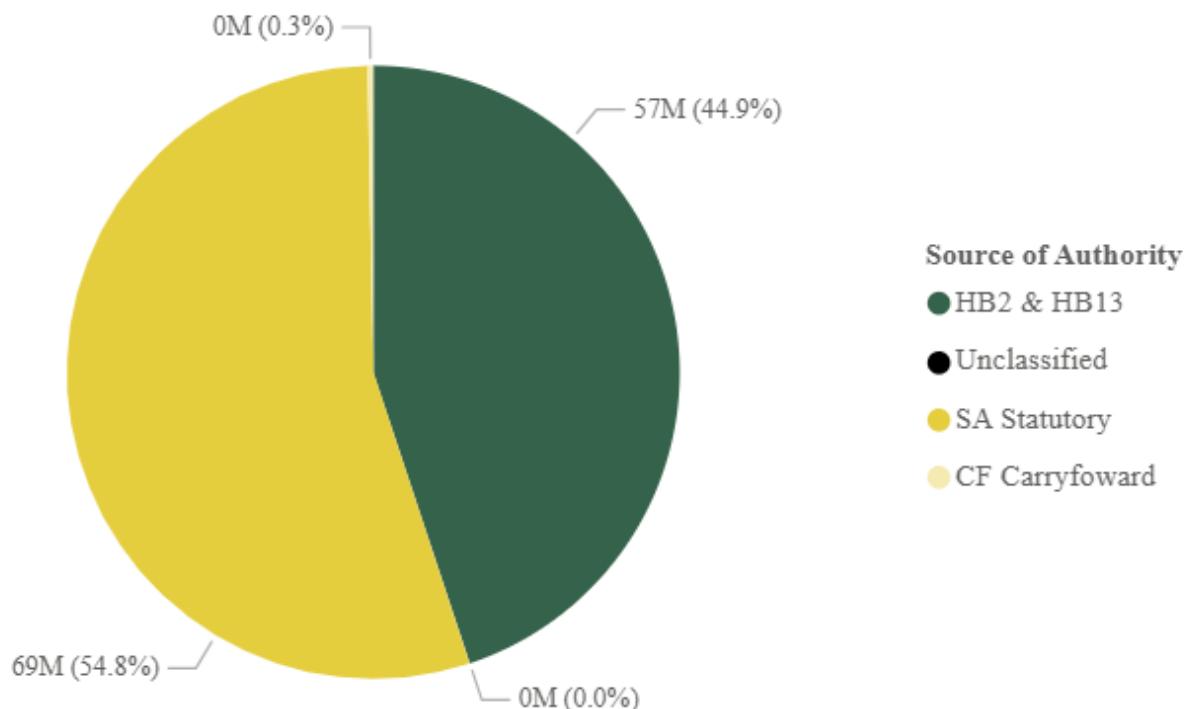


STATE AUDITOR'S OFFICE

TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the State Auditor's Office (SAO) is shown in the pie chart below. HB 2 and HB 13 provide 44.9% 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 | Expenditure Budget | % Expenditure |
|---------------------|--------------------|--------------------|---------------|
| SA Statutory | 69,257,169 | 56,300 | 0.1% |
| HB2 & HB13 | 56,753,623 | 3,817,751 | 6.7% |
| CF Carryfoward | 383,095 | 7,048 | 1.8% |
| Unclassified | 2,415 | | |
| Total | 126,396,302 | 3,881,100 | 3.1% |

Statutory Appropriations

Statutory appropriations in the State Auditor's Office (SAO) total approximately \$69.3 million for FY 2026, with 0.1% expended as of November 30, 2025. 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 2026, SAO is appropriated the following for pension distributions to local governments:

- \$24.9 million for municipal firefighter retirement contributions (19-13-604, MCA)
- \$22.9 million for municipal police retirement contributions (19-9-702, MCA)
- \$3.3 million for volunteer firefighter retirement contributions (19-17-301, MCA)
- \$418,000 for firefighter relief association contributions (19-18-512, MCA)
- \$150,000 for city police retirement fund contributions (19-19-305, MCA)

Historically, the majority of the payments are made in the final quarter of the fiscal year.

Also, within statutory appropriations is \$17.4 million for the state match portion of the Montana Reinsurance Program. Through HB 281 of the 2025 Legislative Session, the state special revenue appropriations associated with the 1.2% assessment on member insurers was moved from a HB 2 appropriation into statutory appropriations. According to the agency, this movement allows the agency enhanced ability to request increase appropriations for eligible claim disbursement.

In addition, statutory appropriations include state special revenue securities restitution payments paid to victims of security crimes with all of the expenditures coming from this appropriation. As of November 30, 2025, the SAO's statutory appropriations authority is 0.1% expended.

Carryforward Authority

The State Auditor's Office has carryforward authority of approximately \$383,000 in FY 2026, stemming from FY 2024 appropriations. All of this authority is designated as personal services and is 1.8% expended as of November 30, 2025.

Unclassified

The State Auditor's Office has unclassified appropriation authority of \$2,415 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. The reductions are included in the accounting system as unclassified authority that will not be spent by the agency.

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 July 1, 2025, through November 30, 2025. 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 |
|-------------------------------------------------------------------------|-------------------|-------------------|-------------------|
| <input checked="" type="checkbox"/> State Auditor's Office | 56,756,038 | 56,753,623 | -2,415 |
| <input checked="" type="checkbox"/> 01 CENTRAL MANAGEMENT | 2,919,796 | 2,919,097 | -699 |
| <input checked="" type="checkbox"/> 03 INSURANCE | 52,178,048 | 52,176,703 | -1,345 |
| <input checked="" type="checkbox"/> 04 SECURITIES | 1,658,194 | 1,657,823 | -371 |
| Total | 56,756,038 | 56,753,623 | -2,415 |
| Expenditure Type | HB 2 Budget | Modified Budget | Net Modifications |
| <input checked="" type="checkbox"/> 61000 Personal Services | 7,760,120 | 7,757,705 | -2,415 |
| <input checked="" type="checkbox"/> 62000 Operating Expenses | 3,248,413 | 3,248,413 | |
| <input checked="" type="checkbox"/> 63000 Equipment & Intangible Assets | 37,994 | 6,792 | -31,202 |
| <input checked="" type="checkbox"/> 66000 Grants | 45,000,000 | 45,000,000 | |
| <input checked="" type="checkbox"/> 67000 Benefits & Claims | 157,393 | 157,393 | |
| <input checked="" type="checkbox"/> 69000 Debt Service | 552,118 | 583,320 | 31,202 |
| Total | 56,756,038 | 56,753,623 | -2,415 |
| Fund Type | HB 2 Budget | Modified Budget | Net Modifications |
| <input checked="" type="checkbox"/> 02 State/Other Spec Rev | 11,727,572 | 11,725,157 | -2,415 |
| <input checked="" type="checkbox"/> 03 Fed/Other Spec Rev | 45,028,466 | 45,028,466 | |
| Total | 56,756,038 | 56,753,623 | -2,415 |

The State Auditor's Office had two modifications to their HB 2 budget during this period of FY 2026. The first of which was a transfer of appropriations from equipment and intangible assets to debt service to correct the level of appropriation in these expenditure types. The other modification made during this period was a reduction in workers' compensation across the three divisions of the agency. This is discussed more in the unclassified section above.

HB 2 APPROPRIATION AUTHORITY

The following chart shows the appropriated budget for the agency compared to expenditures from July 1, 2025, to November 30, 2025.

Monthly Expenditures Compared to Historical Average

● FY 2026 Budget ● Cumulative Monthly FY 2026 Expenditures ● Cumulative Historical Monthly Average Expended

60.0M

50.0M

40.0M

30.0M

20.0M

10.0M

0.0M

0.6%

2.0%

4.0%

5.5%

6.7%

Jul

Aug

Sep

Oct

Nov

Dec

Jan

Feb

Mar

Apr

May

Jun

Fiscal Month

| Program Name | Modified Budget | Expended Budget | % Expended |
|-----------------------|-------------------|------------------|-------------|
| 01 CENTRAL MANAGEMENT | 2,919,097 | 1,204,473 | 41.3% |
| 03 INSURANCE | 52,176,703 | 2,040,055 | 3.9% |
| 04 SECURITIES | 1,657,823 | 573,223 | 34.6% |
| Total | 56,753,623 | 3,817,751 | 6.7% |

| Expenditure Type | Modified Budget | Expended Budget | % Expended |
|-------------------------------|-------------------|------------------|-------------|
| Personal Services | 7,757,705 | 2,610,061 | 33.6% |
| Operating Expenses | 3,248,413 | 834,416 | 25.7% |
| Equipment & Intangible Assets | 6,792 | | |
| Grants | 45,000,000 | 84,567 | 0.2% |
| Benefits & Claims | 157,393 | | |
| Debt Service | 583,320 | 288,707 | 49.5% |
| Total | 56,753,623 | 3,817,751 | 6.7% |

| Fund Type | Modified Budget | Expended Budget | % Expended |
|-------------------------|-------------------|------------------|-------------|
| 02 State/Other Spec Rev | 11,725,157 | 3,728,697 | 31.8% |
| 03 Fed/Other Spec Rev | 45,028,466 | 89,054 | 0.2% |
| Total | 56,753,623 | 3,817,751 | 6.7% |

The State Auditor's Office has expended 6.7% of their HB 2 budget at this point in FY 2026. This is in line with historical expenditures. The majority of the appropriations within the agency lie within the Insurance Division at \$52.2 million with \$45.0 million of that attributed to the Montana Reinsurance Program. Lower expenditures for this period are primarily due to the timing of payments for the federal special revenue aspect of the reinsurance program. The agency does anticipate these payments to be made in December 2025. As this appropriation encapsulates 79.3% of the total appropriations for the agency, lower expenditures for the reinsurance program play a large role in overall expenditures for the agency.

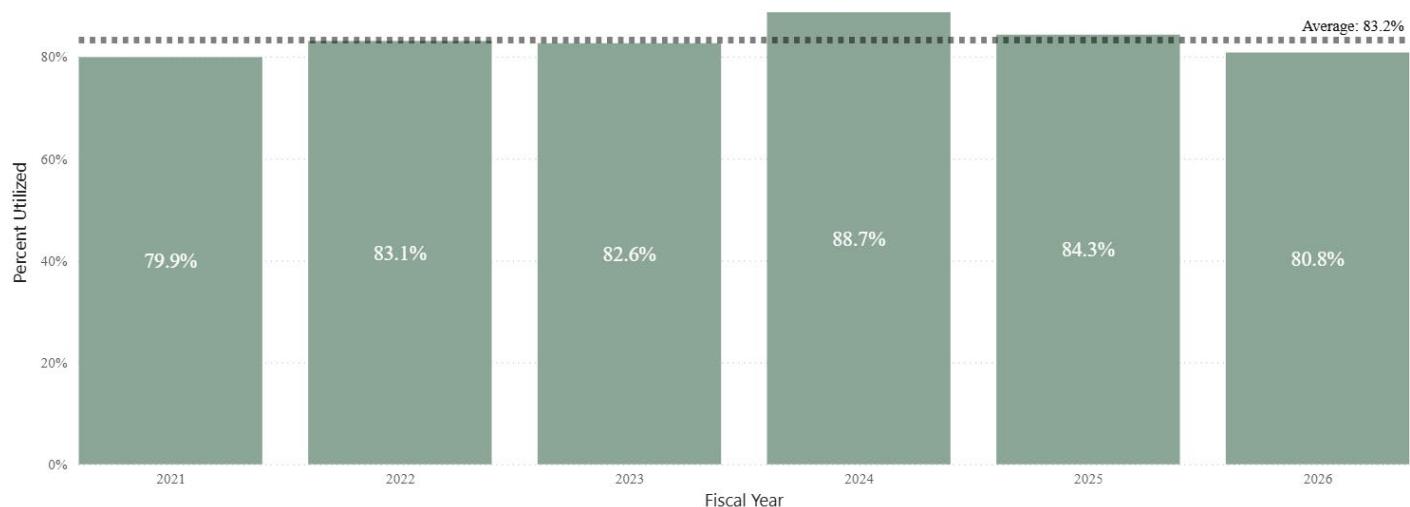
In looking at the percent expended for the Central Management Division and the Securities Division of 34.0% and 29.0%, respectively, these divisions align closely with the anticipated expenditures for this point in the fiscal year. On the expenditure side, debt service expenditures are slightly higher than anticipated due to a lump sum payment for a case management system at the end of September 2025. Moving forward, the agency will only be utilizing this for monthly lease payments.

Personal Services

Appropriations for personal services in the State Auditor's Office totaled \$7.8 million and are 33.6% expended through November 30, 2025. The following chart shows the filled and vacant positions budgeted (PB) within the agency as of November 1, 2025. At this point in time, the department had 71.50 HB 2 PB, and 84.6% of these positions were filled.



The chart below shows the hourly utilization percentage for the State Auditor's Office for each fiscal year when compared to the available hours. Overall, the department has utilized 80.8% of the hours budgeted for this point in FY 2026, as shown in the chart below. This utilization is slightly lower than the five-year average of 83.2%.



The chart below shows the vacant PB in each division, the number of months each position has been vacant, and the midpoint hourly pay rate. Of the 11.00 PB that are vacant, 2.00 PB have been vacant for over one year. The agency is currently in the hiring process for two attorney positions. Along with this, the onboarding process is being completed for the government relations supervisor position, while the compliance manager position is being developed with the anticipation of being posted in the near future.

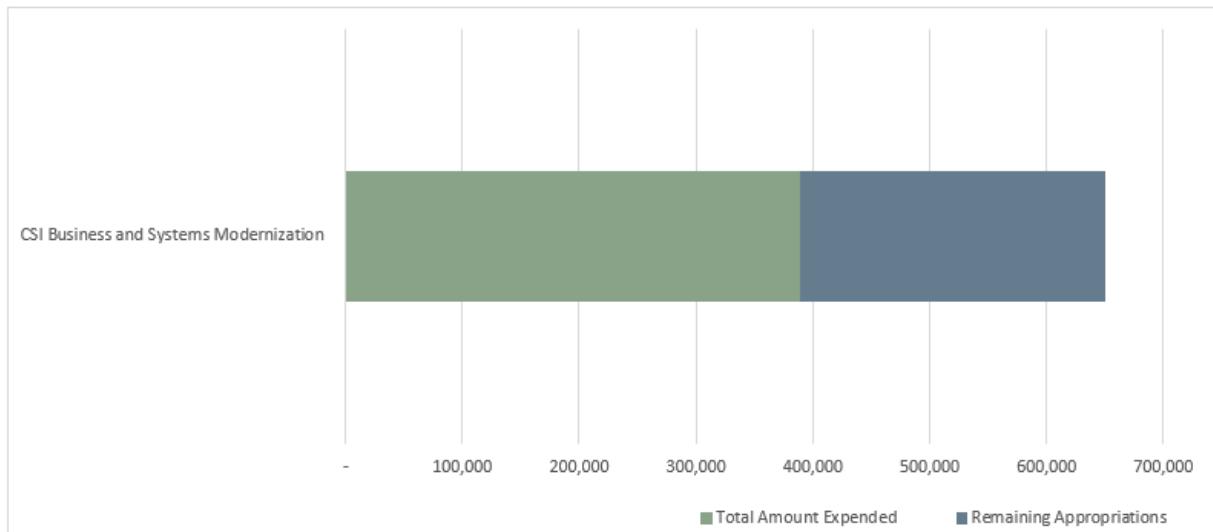
Vacant Positions Report

| | PB | Median Months Vacant | Market Midpoint (Hourly) |
|--------------------------------|--------------|----------------------|--------------------------|
| ☒ 34010 STATE AUDITOR | 11.00 | 5.28 | 41.36 |
| ☒ 01 CENTRAL MANAGEMENT | 2.00 | 4.74 | 19.10 |
| PERSL STAFF/EO-ADMIN | 1.00 | 6.33 | |
| Public Relations Specialist 2 | 1.00 | 3.15 | 38.19 |
| ☒ 03 INSURANCE | 6.00 | 5.62 | 42.49 |
| Compliance Specialist 2 | 1.00 | 5.28 | 34.04 |
| Financial Examiner 2 | 1.00 | 0.46 | 38.69 |
| Financial Examiner Supervisor | 2.00 | 9.95 | 46.30 |
| Gov Relations Supervisor | 1.00 | 25.77 | 38.65 |
| Lawyer 2 | 1.00 | 5.97 | 55.14 |
| ☒ 04 SECURITIES | 3.00 | 5.05 | 51.21 |
| Compliance Manager | 1.00 | 39.48 | 51.21 |
| Lawyer | 1.00 | 5.05 | 55.14 |
| Lawyer 1 | 1.00 | 1.11 | 41.36 |
| Total | 11.00 | 5.28 | 41.36 |

OTHER ISSUES

The State Auditor's Office has one information technology project. The chart below shows total expenditures for the Commissioner of Securities and Insurance (CSI) Business and Systems Modernization project.

Information Technology Project Expenditures



CSI Business and Systems Modernization

The goal of this project is to improve information technology (IT) systems that involve revenue generation and reconciliation within the State Auditor's Office. This project will involve multiple processes and system improvements within SAO. This project is in the initial planning phase with an estimated delivery date of June 30, 2026; however, the agency anticipates this project taking longer. The budget for this project is \$650,000 with approximately \$261,000 expended to date.

APPENDIX A

The State Auditor's Office was asked to provide information on the following questions:

Has the agency utilized contractors in FY 2026?

Yes, CSI has utilized contractors at this point in FY 2026.

If so, how much did you pay contractors?

| Org | Org Name | Consulting & Prof Services | Legal Services | Total | Due to Vacancies | Type of Vacant Position |
|-----|------------------------|----------------------------|----------------|---------|------------------|-------------------------|
| 1 | Central Administration | 1,518 | | 1,518 | No | |
| 112 | Information Technology | 56,706 | | 56,706 | No | |
| 302 | Insurance Services | 17,230 | | 105,992 | No | |
| 302 | Insurance Services | 23,250 | | | No | |
| 302 | Insurance Services | 65,398 | | | Yes | Forms Analyst |
| 308 | Insurance Legal | 83 | 11,347 | 2,891 | No | |
| 320 | Rate Review HB 87 | 49,680 | | 49,680 | No | |
| 336 | Rates | 32,146 | | 32,146 | No | |
| 4 | Securities Department | | 66,987 | 67,134 | Yes | Attorneys |

Total contracted service costs as of October 31, 2025, are \$316,067.

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?

These payments were not attributed to vacant positions.

How much did the agency pay in overtime at this point in FY 2026?

The total overtime paid as of October 31, 2025, is \$2,544.

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?

That agency estimates that \$1,376 of the overtime paid was due to a vacant position, this specifically being the Forms Analyst position.