

Fiscal Note Request HB0629, As Introduced

(continued)

6. State Fund's long-range target is to have a reserve to surplus ratio of 1.5 – 2.0. A strong surplus, along with adequate loss reserves, protects injured employees, and policyholders, and allows State Fund to continue to operate as a strong and viable insurance carrier, committed to the businesses of Montana.
7. Surplus at the end of FY 2002 was \$158.5 million (statutory basis), a ratio of 2.18. A reduction of assets in the amount of \$28 million results in a reserve to surplus ratio of 2.7 to 1, which would necessitate recovery of surplus through rate increases.
8. The statutes provide that all money paid to the State Fund is the property of the state fund and must be held in trust for the purpose for which the money was collected.

FISCAL IMPACT:

| State Fund | <u>FY 2004 Difference</u> | <u>FY 2005 Difference</u> |
|--|--------------------------------------|--------------------------------------|
| <u>Expenditures:</u> | | |
| Transfers | \$14,000,000 | \$14,000,000 |
| <u>Funding of Expenditures:</u> | | |
| Proprietary (06) | \$14,000,000 | \$14,000,000 |
| <u>Revenues:</u> | | |
| General Fund (01) | \$14,000,000 | \$14,000,000 |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | |
| General Fund (01) | \$14,000,000 | \$14,000,000 |
| Proprietary (06) | (\$14,000,000) | (\$14,000,000) |