

February 4, 2009

TO: General Government Joint Appropriation Subcommittee
 FROM: Lois Steinbeck
 RE: 2011 Biennium LFD Budget Analysis – Summary of Issues

Introduction

This memorandum summarizes three issues addressed in the LFD 2011 biennium budget analysis with respect to the state employee group health plan and lists options for subcommittee consideration. The three issues affect the plan costs and level of plan reserves and therefore the cost to enrollees and potentially affect the appropriation amount in HB 13. The three issues are:

1. Subsidy for retirees
2. The level of plan reserves for a self insured, public plan
3. "Grandfathered" reserve to reimburse certain employees for an extra health insurance payment removed from their pay when they leave state employment

Revenues and Costs for Retirees

- o Cost of health insurance for retirees is a significant pocket book issue
- o Purpose of the LFD budget analysis is to highlight a policy area that has not been explicitly reviewed by the legislature
- o State employee group health insurance must provide the option for certain retirees to maintain membership in the state employee group health plan under certain conditions (2-18-704(1)(a) – attached)
- o Retirees who opt to continue coverage "shall pay the full premium for coverage and for that of the person's covered dependents" (2-18-704(5) – attached).
- o Statute does not define "full premium"; Department of Administration has interpreted the full premium to be the amount charged to active employees in similar circumstances
- o Retiree health plan costs exceed retiree premium payments

Per Capita Average Monthly Revenue and Cost by Enrollee Group*												
Montana State Employee Group Health Plan												
Plan Year	Active Employees		Revenue Over (Under)	Retirees Under 65		Revenue Over (Under)	% of Rev.	Retirees Over 65		Revenue Over (Under)	% of Rev.	
	Revenue	Cost	Cost	Revenue	Cost	Cost		Revenue	Cost	Cost		
2006	\$536	\$447	\$89	\$557	\$797	(\$240)	-43.0%	\$263	\$396	(\$133)	-50.6%	
2007	569	465	104	600	829	(229)	-38.3%	262	386	(125)	-47.6%	

*Information taken from year end actuarial reports. Revenue and costs are for the medical and prescription drug plans only.

- o Current loss ratios as of the 3rd quarter of 2008 – about 156% for under 65 (industry 160%) and about 122% for over 65 (125% industry standard)

- GASBE 45 (Governmental Accounting Standards Board - Statement Number 45: Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions) requires state and local governments to account for unfunded liabilities on government wide annual reports¹
- Total unfunded, accrued liability of \$449.3 million dollars (total funds) for the Montana state employee group health benefit plan as of 12/31/2007
- Liability is based on the premise that the state will continue the level of subsidy for retiree participation in the state employee group health plan
- Montana reported an annual liability of \$41.2 million for FY 2008 in the Montana Comprehensive Annual Financial Statement (CAFR)
- University system also subsidizes the cost of retiree participation in its health plan; subsidy is less

Legislative Options

The General Government Joint Appropriation Subcommittee could consider several alternatives relative to the issue of subsidies for retirees participating in the state group health plan.

1. Subcommittee take action during session
 - a. The subcommittee could consider directing DofA to change the level of subsidy for retirees participating in the state group health insurance plan.
 - The subcommittee could consider establishing a maximum level of subsidy and either verbally directing DofA to take such action or requiring DofA to take action by including language in a companion bill to HB 2.
 - The subcommittee could make a recommendation to the state administration committees to the House and Senate for their consideration and potential action.
2. Subcommittee make recommendation to study during interim
 - a. The subcommittee could recommend that the Legislative Finance Committee review policy issues related to pricing of state group health insurance in conjunction with the Interim Committee on State Administration and Veterans' Affairs. Specific objectives could include review of:
 - Other state government health plans and subsidy of retiree participation in those plans, including the Montana university system
 - Legal requirements to provide a subsidy to retirees
 - Optional pricing strategies
 - Legislative action to provide guidance on state health plan premium pricing

Level of Plan Reserves

- 2007 General Government Joint Appropriation Subcommittee considered a legislative audit finding questioning the amount of health plan reserves as potentially being in excess of federally allowable limits
- Subsequent federal interpretations and case law for health insurance funds did not limit reserves to the 60 day working capital level
- State statute charges the DofA to maintain reserves to cover "the unrevealed claim liability and other plan liabilities"
- No definition of what that liability is other than the claims that have been incurred but not reported and other known liabilities
- DofA adopted a methodology promulgated by the National Association of Insurance Commissioners (NAIC)

¹ HB 141 sponsored by Representative Wilmer at the request of the Office of Budget and Program Planning would exempt postemployment benefits from certain calculations in the internal service fund type and in the enterprise fund type (bill and fiscal note attached).

- Model - risk-based capital (RBC) approach - is used by 47 states including Montana (Title 33, MCA) to set reserve levels as the regulatory standard applied to health care insurers in Montana
- RBC formula establishes a minimum capital level for private plan solvency
- As an insurer's risk based capital ratio falls below 200 percent, it is subject to increasing degrees of regulatory oversight and control by the State Insurance Commissioner
- RBC model was adopted in order to establish a bench mark for the reserve level for future legislative audit review of plan performance
- DofA established a goal of 200 to 300 percent of risk based capital ratio for state employee health plan reserves
- A-217 shows reserve estimate- each 100% equals about \$12.3 million; added to other reserves
- Level of health plan reserves is a matter of legislative policy
 - If a decision were made to transition from a self insurance model to another form of plan administration, maintaining adequate plan reserves to fund the claims payout would be prudent
 - Plan reserves can help stabilize premium amounts and plan design within a biennium, allowing for gradual changes in the event of unanticipated changes
 - Plan reserves can maintain sound plan administration if substantial unanticipated claims or cost increases were to occur
 - Establishing a reserve level target can provide a "tension" between plan benefit design and premium payment to promote a benefit-cost type of decision making about plan changes during the interim between sessions
- Reserve level can influence plan design, especially with respect to premium pricing, including deductibles and cost shares
- Maintaining too high a reserve level can require additional state funds to be held in a fund balance

Legislative Options

The General Government Joint Appropriation Subcommittee could consider several alternatives relative to the issue of state group health plan reserves.

1. Subcommittee take action and establish a bench mark
 - a. Verbal or written direction
2. Subcommittee make recommendation to State Administration Committee in the House or Senate
3. Subcommittee make recommendation to study during interim

Grandfathered Reserve

- When SABHRS (state accounting system) was implemented an extra health insurance premium was deducted from employee pay at that time
- DofA reimburses eligible employees for the extra deduction when they retire or leave state employment
- Amount of reimbursement has been tied to current employer share rather than historic amount (\$295 historic; \$626 payment for 2009)

Legislative Options

The General Government Joint Appropriation Subcommittee could consider several alternatives relative to the issue of the grandfathered reserve.

1. Subcommittee could direct DofA to freeze payment amount at \$626
2. Subcommittee could request that DofA provide information on the cost of a payout for eligible employees as of March 31, 2009 and potentially direct DofA to provide a payment now and eliminate the reserve and liability from the balance sheet

State Employee Group Health Insurance – Provisions for Retiree Participation

2-18-704. Mandatory provisions. (1) An insurance contract or plan issued under this part must contain provisions that permit:

(a) the member of a group who retires from active service under the appropriate retirement provisions of a defined benefit plan provided by law or, in the case of the defined contribution plan provided in Title 19, chapter 3, part 21, a member with at least 5 years of service and who is at least age 50 while in covered employment to remain a member of the group until the member becomes eligible for medicare under the federal Health Insurance for the Aged Act, 42 U.S.C. 1395, as amended, unless the member is a participant in another group plan with substantially the same or greater benefits at an equivalent cost or unless the member is employed and, by virtue of that employment, is eligible to participate in another group plan with substantially the same or greater benefits at an equivalent cost;

(b) the surviving spouse of a member to remain a member of the group as long as the spouse is eligible for retirement benefits accrued by the deceased member as provided by law unless the spouse is eligible for medicare under the federal Health Insurance for the Aged Act or unless the spouse has or is eligible for equivalent insurance coverage as provided in subsection (1)(a);

(c) the surviving children of a member to remain members of the group as long as they are eligible for retirement benefits accrued by the deceased member as provided by law unless they have equivalent coverage as provided in subsection (1)(a) or are eligible for insurance coverage by virtue of the employment of a surviving parent or legal guardian.

(2) An insurance contract or plan issued under this part must contain the provisions of subsection (1) for remaining a member of the group and also must permit:

(a) the spouse of a retired member the same rights as a surviving spouse under subsection (1)(b);

(b) the spouse of a retiring member to convert a group policy as provided in 33-22-508; and

(c) continued membership in the group by anyone eligible under the provisions of this section, notwithstanding the person's eligibility for medicare under the federal Health Insurance for the Aged Act.

(3) (a) A state insurance contract or plan must contain provisions that permit a legislator to remain a member of the state's group plan until the legislator becomes eligible for medicare under the federal Health Insurance for the Aged Act, 42 U.S.C. 1395, as amended, if the legislator:

(i) terminates service in the legislature and is a vested member of a state retirement system provided by law; and

(ii) notifies the department of administration in writing within 90 days of the end of the legislator's legislative term.

(b) A former legislator may not remain a member of the group plan under the provisions of subsection (3)(a) if the person:

(i) is a member of a plan with substantially the same or greater benefits at an equivalent cost; or

(ii) is employed and, by virtue of that employment, is eligible to participate in another group plan with substantially the same or greater benefits at an equivalent cost.

(c) A legislator who remains a member of the group under the provisions of subsection (3)(a) and subsequently terminates membership may not rejoin the group plan unless the person again serves as a legislator.

(4) (a) A state insurance contract or plan must contain provisions that permit continued membership in the state's group plan by a member of the judges' retirement system who leaves judicial office but continues to be an inactive vested member of the judges' retirement system as provided by 19-5-301. The judge shall notify the department of administration in writing within 90 days of the end of the judge's judicial service of the judge's choice to continue membership in the group plan.

(b) A former judge may not remain a member of the group plan under the provisions of this subsection (4) if the person:

(i) is a member of a plan with substantially the same or greater benefits at an equivalent cost;

(ii) is employed and, by virtue of that employment, is eligible to participate in another group plan with substantially the same or greater benefits at an equivalent cost; or

(iii) becomes eligible for medicare under the federal Health Insurance for the Aged Act, 42 U.S.C. 1395, as amended.

(c) A judge who remains a member of the group under the provisions of this subsection (4) and subsequently terminates membership may not rejoin the group plan unless the person again serves in a position covered by the state's group plan.

(5) A person electing to remain a member of the group under subsection (1), (2), (3), or (4) shall pay the full premium for coverage and for that of the person's covered dependents.

(6) An insurance contract or plan issued under this part that provides for the dispensing of prescription drugs by an out-of-state mail service pharmacy, as defined in 37-7-702:

(a) must permit any member of a group to obtain prescription drugs from a pharmacy located in Montana that is willing to match the price charged to the group or plan and to meet all terms and conditions, including the same professional requirements that are met by the mail service pharmacy for a drug, without financial penalty to the member; and

(b) may only be with an out-of-state mail service pharmacy that is registered with the board under Title 37, chapter 7, part 7, and that is registered in this state as a foreign corporation.

(7) An insurance contract or plan issued under this part must include coverage for treatment of inborn errors of metabolism, as provided for in 33-22-131.

(8) An insurance contract or plan issued under this part must include substantially equivalent or greater coverage for outpatient self-management training and education for the treatment of diabetes and certain diabetic equipment and supplies as provided in 33-22-129.

(9) (a) An insurance contract or plan issued under this part that provides coverage for an individual in a member's family must provide coverage for well-child care for children from the moment of birth through 7 years of age. Benefits provided under this coverage are exempt from any deductible provision that may be in force in the contract or plan.

(b) Coverage for well-child care under subsection (9)(a) must include:

(i) a history, physical examination, developmental assessment, anticipatory guidance, and laboratory tests, according to the schedule of visits adopted under the early and periodic screening, diagnosis, and treatment services program provided for in 53-6-101; and

(ii) routine immunizations according to the schedule for immunization recommended by the immunization practice advisory committee of the U.S. department of health and human services.

(c) Minimum benefits may be limited to one visit payable to one provider for all of the services provided at each visit as provided for in this subsection (9).

(d) For purposes of this subsection (9):

(i) "developmental assessment" and "anticipatory guidance" mean the services described in the Guidelines for Health Supervision II, published by the American academy of pediatrics; and

(ii) "well-child care" means the services described in subsection (9)(b) and delivered by a physician or a health care professional supervised by a physician.

(10) (a) Except as provided in subsection (10)(b), upon renewal, an insurance contract or plan issued under this part under which coverage of a dependent terminates at a specified age must, as provided in 33-22-152, continue to provide coverage for any unmarried dependent, as defined in 33-22-140(5)(b), until the dependent reaches 25 years of age or marries, whichever occurs first. For insurance contracts or plans issued under this part, the premium charged for the additional coverage of a dependent, as defined in 33-22-140(5)(b), may be required to be paid by the insured and not by the employer.

(b) An insurance contract or plan issued under this part for the state employee group insurance program and the university system group insurance program is not subject to subsection (10)(a).

(11) Prior to issuance of an insurance contract or plan under this part, written informational materials describing the contract's or plan's cancer screening coverages must be provided to a prospective group or plan member.

History: En. Sec. 1, Ch. 174, L. 1957; amd. Sec. 1, Ch. 83, L. 1965; amd. Sec. 1, Ch. 200, L. 1967; amd. Sec. 1, Ch. 220, L. 1969; amd. Sec. 1, Ch. 382, L. 1971; amd. Sec. 1, Ch. 188, L. 1974; amd. Sec. 1, Ch. 359, L. 1975; amd. Sec. 1, Ch. 437, L. 1975; amd. Sec. 1, Ch. 259, L. 1977; amd. Sec. 11, Ch. 563, L. 1977; R.C.M. 1947, 11-1024(3), (4); amd. Sec. 1, Ch. 181, L. 1983; amd. Sec. 1, Ch. 738, L. 1991; amd. Sec. 1, Ch. 300, L. 1993; amd. Sec. 1, Ch. 274, L. 1995; amd. Sec. 14, Ch. 42, L. 1997; amd. Sec. 1, Ch. 282, L. 1997; amd. Sec. 1, Ch. 434, L. 1999; amd. Sec. 2, Ch. 471, L. 1999; amd. Sec. 2, Ch. 450, L. 2001; amd. Sec. 3, Ch. 356, L. 2007; amd. Sec. 1, Ch. 390, L. 2007; amd. Sec. 1, Ch. 463, L. 2007.

HOUSE BILL NO. 141

INTRODUCED BY F. WILMER

BY REQUEST OF THE OFFICE OF BUDGET AND PROGRAM PLANNING

A BILL FOR AN ACT ENTITLED: "AN ACT EXEMPTING POSTEMPLOYMENT BENEFITS FROM CERTAIN CALCULATIONS IN THE INTERNAL SERVICE FUND TYPE AND IN THE ENTERPRISE FUND TYPE CONSISTENT WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES; AMENDING SECTIONS 16-2-108, 17-8-101, AND 23-7-402, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 16-2-108, MCA, is amended to read:

"16-2-108. Disposition of money received. (1) The department may purchase liquor from money deposited to its account in the enterprise fund. The department shall pay from its account in the enterprise fund its administrative expenses associated with the sale of liquor, subject to the limits imposed by legislative appropriation. An obligation created or incurred by the department may not be a debt or claim against the state of Montana but must be payable by the department solely from funds derived from the operation of state liquor sales. The department shall pay into the state treasury to the credit of the enterprise fund the receipts from the sale of liquor and all taxes collected by it. Taxes and the net proceeds from the operation of state liquor sales must be transferred to the general fund.

(2) All liquor license fees and permit fees collected by the department must be deposited into the department's liquor enterprise fund.

(3) The department shall pay from its account in the liquor enterprise fund:

(a) expenses associated with administering liquor licensing and fee collection; and

(b) expenses associated with investigations pursuant to its agreement with the department of justice.

(4) (a) The net proceeds of the liquor enterprise fund must be transferred to the general fund. For the purpose of calculating net proceeds, other postemployment benefits involving expenses or liabilities resulting from an implicit rate subsidy must be excluded from the calculation.

(b) (i) As used in this subsection (4), "other postemployment benefits" means nonpension benefits provided to employees after employment ends that are determined in accordance with generally accepted

1 accounting principles.

2 (ii) The term does not include termination benefits such as payments for accrued sick leave, annual leave,
3 or compensatory time."

4

5 **Section 2.** Section 17-8-101, MCA, is amended to read:

6 **"17-8-101. Appropriation and disbursement of money from treasury.** (1) For purposes of complying
7 with Article VIII, section 14, of the Montana constitution, money deposited in the general fund, the special revenue
8 fund type (except money deposited in the treasury from nonstate and nonfederal sources restricted by law or by
9 the terms of an agreement, such as a contract, trust agreement, or donation), and the capital projects fund type,
10 with the exception of refunds authorized in subsection (4), may be paid out of the treasury only on appropriation
11 made by law.

12 (2) Subject to the provisions of subsection (8), money deposited in the enterprise fund type, debt service
13 fund type, internal service fund type, private purpose trust fund type, agency fund type, and state special revenue
14 fund from nonstate and nonfederal sources restricted by law or by the terms of an agreement, such as a contract,
15 trust agreement, or donation, may be paid out of the treasury:

16 (a) by appropriation; or

17 (b) under general laws, or contracts entered into in pursuance of law, permitting the disbursement if a
18 subclass is established on the state financial system.

19 (3) The pension trust fund type is not considered a part of the state treasury for appropriation purposes.
20 Money deposited in the pension trust fund type may be paid out of the treasury pursuant to general laws, trust
21 agreement, or contract.

22 (4) Money paid into the state treasury through error or under circumstances such that the state is not
23 legally entitled to retain it and a refund procedure is not otherwise provided by law may be refunded upon the
24 submission of a verified claim approved by the department.

25 (5) Authority to expend appropriated money may be transferred from one state agency to another,
26 provided that the original purpose of the appropriation is maintained. The office of budget and program planning
27 shall report semiannually to the legislative finance committee concerning all appropriations transferred under the
28 provisions of this section.

29 (6) (a) Fees Subject to subsection (6)(b), fees and charges for services deposited in the internal service
30 fund type must be based upon commensurate costs. The legislative auditor, during regularly scheduled audits

1 of state agencies, shall audit and report on the reasonableness of internal service fund type fees and charges
2 and on the fund equity balances.

3 (b) Other postemployment benefits involving expenses or liabilities resulting from an implicit rate subsidy
4 must be excluded from the calculation of fees and charges that are required to be based upon commensurate
5 costs.

6 (c) (i) As used in this subsection (6), "other postemployment benefits" means nonpension benefits
7 provided to employees after employment ends that are determined in accordance with generally accepted
8 accounting principles.

9 (ii) The term does not include termination benefits such as payments for accrued sick leave, annual leave,
10 or compensatory time.

11 (7) The creation of accounts in the enterprise fund or the internal service fund must be approved by the
12 department, using conformity with generally accepted accounting principles as the primary approval criteria. The
13 department shall report annually to the office of budget and program planning and the legislative finance
14 committee on the nature, status, and justification for all new accounts in the enterprise fund and the internal
15 service fund.

16 (8) Enterprise and internal service funds must be appropriated if they are used as a part of a program
17 that is not an enterprise or internal service function and that otherwise requires an appropriation. An enterprise
18 fund that transfers its ending fund balance to the general fund is subject to appropriation. The payment of funds
19 into an internal service fund must be authorized by law."

20

21 **Section 3.** Section 23-7-402, MCA, is amended to read:

22 **"23-7-402. Disposition of revenue.** (1) A minimum of 45% of the money paid for tickets or chances
23 must be paid out as prize money. The prize money is statutorily appropriated, as provided in 17-7-502, to the
24 lottery.

25 (2) Commissions paid to lottery ticket or chance sales agents are not a state lottery operating expense.

26 (3) (a) That part of all gross revenue not used for the payment of prizes, commissions, and operating
27 expenses, together with the interest earned on the gross revenue while the gross revenue is in the enterprise
28 fund, is net revenue. Net revenue must be transferred quarterly from the enterprise fund established by 23-7-401
29 to the state general fund. Other postemployment benefits involving expenses or liabilities resulting from an implicit
30 rate subsidy must be excluded from the calculation of net revenue.



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill # HB0141

Title: Accounting for certain post-retirement benefits

Primary Sponsor: Wilmer, Franke

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Other - Enterprise	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Other - Enterprise	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact:

This bill excludes other post-employment benefits involving implicit rate subsidies from the calculation of net proceeds used in determining Liquor and Lottery profits transferred to the general fund and from the calculation of the commission rate for collection services. The bill also excludes OPEB in calculating fees commensurate with costs for statewide internal service funds.

FISCAL ANALYSIS

Assumptions:

Overview of Other Post-Employment Benefits (OPEB)

- Effective with the beginning of FY 2008, Governmental Accounting Standard Board (GASB) rules require governmental entities to report their assets/liabilities and revenues/expenditures for retiree other post-retirement benefits separately from those for active employees. Under these standards, OPEB are interpreted to include access for retirees to buy insurance through the state health and life insurance pools. GASB defines this kind of OPEB as an "implicit rate subsidy" in its publication *Other Postemployment*

Benefits: A Plain-Language Summary of GASB Statements No. 43 and No. 45. (from the GASB website www.gasb.org)

2. The health insurance plans for Montana allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of an "implied rate" subsidy in the related financial statements and footnotes. While this liability is disclosed for financial statement purposes, it does not represent a legal liability of the state or any of its component units.
3. Unlike current employees, retirees do not receive any direct assistance with their premiums from the state. However, under the new GASB standard the ability of state retirees to continue their policies within the state employee insurance system is considered an implicit rate subsidy and therefore must be recorded as an OPEB liability.
4. While the new GASB accounting standards require the OPEB amounts be recorded as liabilities, the state has no legal obligation to expend funds. Each year's OPEB liability will remain on the state's books as a liability and will be joined by the next year's OPEB liability, resulting in an accumulation over time of OPEB liabilities.
5. The State Accounting Division, Department of Administration, indicates that enterprise funds and internal service funds are affected by the GASB standard change.
6. The OPEB costs are not currently reflected in the general fund revenue estimates for profits transferred to the general fund from Liquor Division and the Montana Lottery. Therefore, there is no fiscal impact from this bill.
7. IF HB 141 were not to pass, OPEB costs would be included, and transfers to the general fund for Liquor and Lottery profits would be reduced by the amounts in the following tables.

Department of Revenue – Liquor Division

8. The following table shows the anticipated OPEB costs for the Liquor Division.

FY 2008	\$124,126
FY 2009	\$258,182
FY 2010	\$402,963
FY 2011	\$559,326
FY 2012	\$728,198
FY 2013	\$910,580

9. The Liquor Division's enterprise fund is used for the Liquor Division's business operations. The Liquor Division is authorized to mark-up the base cost for liquor and wine for sale (16-1-404(2), MCA). These liquor sale markups generate profits which are transferred to the general fund. In FY 2008, \$8.775 million in liquor profits were deposited in the general fund.
10. To calculate liquor profits, the Liquor Division subtracts the cost of goods sold and other operational expenditures from total sales revenue. In calculating the FY 2008 liquor profits to be transferred to the general fund, no OPEB liabilities were included as an operational expenditure because the liability was recorded as a non-budgeted expense by the Department of Administration.

Department of Administration – Montana Lottery

11. The following table shows the anticipated OPEB costs for the Montana Lottery.

FY 2008	\$104,369
FY 2009	\$217,088
FY 2010	\$338,824
FY 2011	\$470,298
FY 2012	\$612,291
FY 2013	\$765,644

12. The Montana Lottery did account for OPEB costs before transferring profits to the general fund in FY 2008.

Statewide Internal Service Funds

13. This bill allows internal service funds to not include OPEB in calculating their fees; and having fees commensurate with costs. This will prevent funding OPEB costs and reduce the rates charged by internal service funds to other state agencies.

14. The following is a table of estimated OPEB liabilities in internal service funds.

FY 2008	\$2,188,000
FY 2009	\$4,551,050
FY 2010	\$7,103,123
FY 2011	\$9,858,373
FY 2012	\$13,011,163
FY 2013	\$16,604,139

15. OPEB costs have not been built into rates for internal service funds for the 2011 biennium. If this bill does not pass, these funds will have to recover these costs.

Technical Notes:

Department of Revenue

1. The definition and source of the term “implicit rate subsidy” should be clarified in the bill.

Sponsor's Initials

Date

Budget Director's Initials

Date