



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	SB0173
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Title:	Generally revising state workers' compensation insurance fund laws
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Primary Sponsor:	Keane, Jim
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Status:	As Amended in House Committee
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| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
Expenditures:				
General Fund	\$36,632,591	(\$5,651,973)	(\$4,571,127)	(\$4,019,891)
Other	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Old Fund - 06039	\$43,989,000	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$36,632,591)</u>	<u>\$5,651,973</u>	<u>\$4,571,127</u>	<u>\$4,019,891</u>

Description of fiscal impact: The bill requires a one-time transfer of \$43.989 million from the general fund to the Old Fund effective July 1, 2013. This transfer will fund the outstanding Old Fund liabilities based on the estimate of Old Fund liability remaining on July 1, 2013 and discounted by 1.5% for investment earnings. Ongoing general fund transfers to fund the liability will no longer occur.

FISCAL ANALYSIS

Assumptions:

Montana State Fund (MSF)

1. The remaining undiscounted value of the Old Fund liability at July 1, 2013 is estimated to be \$49,594,121.
2. The discounted Old Fund liability is estimated to be \$43,989,485 assuming a 1.5% discount factor based on the rate of return on current investments.
3. A one-time general fund transfer to the Old Fund of \$43,989,000 invested and earning a return of 1.5% (discount factor) will generate the necessary cash to pay the current estimated Old Fund liabilities.
4. Ongoing transfers from the general fund to cover the Old Fund liability will no longer occur.

5. If the Old fund liabilities develop above the amount transferred from general fund, MSF would need to record a liability on its financial statements. Section 4 of the bill requires the board to consider this liability when determining dividends.
6. The systematic tracking of income on premiums paid to State Fund based upon wages payable on or after July 1, 2013 may require system and account structure changes. The extent of changes that may be required and the associated costs are unknown at this time.

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Transfers	(\$7,356,409)	(\$5,651,973)	(\$4,571,127)	(\$4,019,891)
Transfers	\$43,989,000	\$0	\$0	\$0
TOTAL Expenditures	<u><u>\$36,632,591</u></u>	<u><u>(\$5,651,973)</u></u>	<u><u>(\$4,571,127)</u></u>	<u><u>(\$4,019,891)</u></u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$36,632,591	(\$5,651,973)	(\$4,571,127)	(\$4,019,891)
Old Fund	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u><u>\$36,632,591</u></u>	<u><u>(\$5,651,973)</u></u>	<u><u>(\$4,571,127)</u></u>	<u><u>(\$4,019,891)</u></u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Old Fund	\$43,989,000	\$0	\$0	\$0
TOTAL Revenues	<u><u>\$43,989,000</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$36,632,591)	\$5,651,973	\$4,571,127	\$4,019,891
Old Fund - 06039	\$43,989,000	\$0	\$0	\$0

Technical Notes:

1. MSF interprets Section 5. 39-71-2352(1)(c),MCA, language to be applicable to new and renewal policies effective on or after July 1, 2013.

Sponsor's Initials

Date

Budget Director's Initials

Date