



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2017 Biennium

<b>Bill #</b>	SB0254
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<b>Title:</b>	Generally revise laws related to Montana State Fund
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<b>Primary Sponsor:</b>	Keane, Jim
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<b>Status:</b>	As Introduced
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- 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 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<b>Expenditures:</b>				
General Fund	(\$7,466,138)	(\$6,130,174)	(\$4,667,134)	(\$3,563,029)
Other - Montana State Fund	\$50,000,000	\$0	\$0	\$0
Other - Old Fund	\$ -	\$ -	\$ -	\$ -
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
Other- Montana State Fund	\$0	\$0	\$0	\$0
Other- Old Fund	\$ 42,533,862	(\$6,130,174)	(\$4,667,134)	(\$3,563,029)
<b>Net Impact-General Fund Balance:</b>	<u>\$7,466,138</u>	<u>\$6,130,174</u>	<u>\$4,667,134</u>	<u>\$3,563,029</u>

**Description of fiscal impact:** This bill requires Montana State Fund (MSF) to transfer \$50 million of MSF assets to the Old Fund account to pay the Old Fund claim obligations. The Old Fund consists of claims that occurred prior to July 1, 1990. The MSF New Fund consists of premiums paid for claims occurring on or after July 1, 1990. Under current law, the Old Fund claim obligations are required to be paid by the general fund. The bill prohibits MSF from paying dividends to its customers until the one-time payment of \$50 million is made to the Old Fund. The bill also prohibits MSF from raising premiums to pay for the transfer to the Old Fund.

### FISCAL ANALYSIS

#### Assumptions:

#### **Montana State Fund (MSF)**

- MSF is funded through policyholder premium collected on or after July 1, 1990. MSF investment income is derived from earnings on the invested policyholder premium and is a part of MSF income used for the payment of claims reported after July 1, 1990.

2. By current law, the general fund is the funding source to pay Old Fund claim obligations. The Old Fund consists of claims made before July 1, 1990. Under this bill, MSF assets in the New Fund will be used to pay the remaining Old Fund claim obligations and administrative costs.
3. At June 30, 2014, the remaining Old Fund liability was estimated by MSF’s consulting actuary to be approximately \$45 million. This estimate was based upon a range of \$40.8 million to \$90.6 million with a selected central estimate of \$45.0 million on an undiscounted basis. This estimate was based on the Old Fund Reserve Analysis, dated June 30, 2014. The consulting actuary’s estimate of the Old Fund obligations is reviewed and updated annually.
4. MSF assumes that the \$50 million transfer from the New Fund to the Old Fund would be made July 1, 2015. If there were any outstanding Old Fund liability remaining in the future after the \$50 million transfer was expended, general fund transfers would be required subject to 39-71-2352, MCA.
5. The bill prohibits MSF from paying dividends until the one-time payment of \$50 million is made to the Old Fund. The bill also prohibits MSF from raising premiums to pay for the transfer to the Old Fund.

**Department of Administration**

6. Under current law, the general fund transfers sufficient revenue to the Old Fund to cover claims payments for that year. The general fund savings shown in this fiscal note reflect that this transfer will no longer be required.

	<b><u>FY 2016</u></b> <b><u>Difference</u></b>	<b><u>FY 2017</u></b> <b><u>Difference</u></b>	<b><u>FY 2018</u></b> <b><u>Difference</u></b>	<b><u>FY 2019</u></b> <b><u>Difference</u></b>
<b><u>Fiscal Impact: Department of Administration</u></b>				
FTE	0.00	0.00	0.00	0.00
<b><u>Expenditures:</u></b>				
Transfers (to Old Fund)	<u>(\$7,466,138)</u>	<u>(\$6,130,174)</u>	<u>(\$4,667,134)</u>	<u>(\$3,563,029)</u>
<b>TOTAL Expenditures</b>	<b><u>(\$7,466,138)</u></b>	<b><u>(\$6,130,174)</u></b>	<b><u>(\$4,667,134)</u></b>	<b><u>(\$3,563,029)</u></b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	<u>(\$7,466,138)</u>	<u>(\$6,130,174)</u>	<u>(\$4,667,134)</u>	<u>(\$3,563,029)</u>
<b>TOTAL Funding of Exp.</b>	<b><u>(\$7,466,138)</u></b>	<b><u>(\$6,130,174)</u></b>	<b><u>(\$4,667,134)</u></b>	<b><u>(\$3,563,029)</u></b>
<b><u>Revenues:</u></b>				
General Fund (01)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL Revenues</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<b><u>Fiscal Impact: Old Fund</u></b>				
FTE	0.00	0.00	0.00	0.00
<b><u>Expenditures:</u></b>				
Benefits	\$0	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Funding of Expenditures:</u></b>				
Other - Old Fund	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Revenues:</u></b>				
Old Fund (from Gen Fund)	(\$7,466,138)	(\$6,130,174)	(\$4,667,134)	(\$3,563,029)
Old Fund (from New Fund)	\$50,000,000	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<u>\$42,533,862</u>	<u>(\$6,130,174)</u>	<u>(\$4,667,134)</u>	<u>(\$3,563,029)</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
Other - Old Fund	\$42,533,862	(\$6,130,174)	(\$4,667,134)	(\$3,563,029)
<b><u>Fiscal Impact: Montana State Fund</u></b>				
<b><u>Expenditures:</u></b>				
Transfers	\$50,000,000	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<u>\$50,000,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Funding of Expenditures:</u></b>				
Other - Montana State Fund	\$50,000,000	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<u>\$50,000,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Revenues:</u></b>				
Other - Montana State Fund	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures) All Agencies:</u></b>				
General Fund (01)	\$7,466,138	\$6,130,174	\$4,667,134	\$3,563,029
Other - Old Fund	\$42,533,862	(\$6,130,174)	(\$4,667,134)	(\$3,563,029)
Other - New Fund	(\$50,000,000)	\$0	\$0	\$0

**Technical Notes:**

1. The liability for state fund claims was separated by the legislature effective July 1, 1990. The Old Fund consists of claims that occurred prior to July 1, 1990. MSF consists of claims occurring on or after July 1, 1990. Funding sources and liability for claims is required to be kept separate, 39-71-2352, MCA.
2. It is uncertain whether the transfer would comport with policies issued by MSF after July 1, 1990.
3. Section 4 amends 39-71-2320 (2)(a), MCA, to make a determination of equity based on a calendar year of 2015, while current law requires MSF to operate on a fiscal year basis (July 1st to June 30th).

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*