

51020 - Commissioner of Higher Education07-University System Workers Compensation Program

Program Budget Comparison

The following table summarizes the total Legislative budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00 %
Personal Services	91,379	92,225	95,502	95,251	183,604	190,753	7,149	3.89 %
Operating Expenses	1,173,512	969,068	1,195,000	1,195,002	2,142,580	2,390,002	247,422	11.55 %
Benefits & Claims	1,931,362	3,499,476	3,000,000	3,000,000	5,430,838	6,000,000	569,162	10.48 %
Total Costs	\$3,196,253	\$4,560,769	\$4,290,502	\$4,290,253	\$7,757,022	\$8,580,755	\$823,733	10.62 %
General Fund	0	0	0	0	0	0	0	0.00 %
Proprietary Funds	3,196,253	4,560,769	4,290,502	4,290,253	7,757,022	8,580,755	823,733	10.62 %
Total Funds	\$3,196,253	\$4,560,769	\$4,290,502	\$4,290,253	\$7,757,022	\$8,580,755	\$823,733	10.62 %

Program Description

Fund 06082 MUS Self Funded Workers' Compensation

Premium rates for the program are based upon commonly accepted actuarial principles developed by a qualified actuary and reviewed by the MUS Self-Funded Workers' Compensation Insurance Committee and the administrator. Rate determination considers historical data of MUS claims experience and reserving practices as well as state and national trends in workers compensation and legal and economic environments. The rates and fees for the workers compensation program are defined as those premiums charged to the employer units of the Montana University System that are necessary to fund the operations and the claims payment obligations.

Program Highlights

MUS Workers' Compensation Program Major Budget Highlights
<ul style="list-style-type: none"> • The MUS Workers' Compensation program is funded with enterprise type proprietary funds and is not included in HB 2 • The legislature requires the Montana University System to operate the program to maintain the plan on an actuarially sound basis • Premium rates are based upon actuarial principles and are reviewed by the MUS Workers' Compensation Insurance Committee

Funding

The following table shows program funding by source from all sources of authority.

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Commissioner of Higher Education, 07-University System Workers Compensation Program Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0.00 %	
State Special Total	\$0	\$0	\$0	\$0	0.00 %	
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %	
06082 MUS Self-Funded Workers Comp	0	8,580,755	0	8,580,755	100.00 %	
Proprietary Total	\$0	\$8,580,755	\$0	\$8,580,755	100.00 %	
Total All Funds	\$0	\$8,580,755	\$0	\$8,580,755		

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	4,551,886	4,551,886	9,103,772	106.10 %
PL Adjustments	0	0	0	0.00 %	(261,384)	(261,633)	(523,017)	(6.10)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$4,290,502	\$4,290,253	\$8,580,755	

Present Law Adjustments

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 700701 - MUS Self-Funded WC Program	0.00	0	0	0	(261,384)	0.00	0	0	0	(261,633)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	(\$261,384)	0.00	\$0	\$0	\$0	(\$261,633)

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 700701 - MUS Self-Funded WC Program -

This adjustment reflects projected claims and related operating cost in the workers' compensation program.

Other Issues

Program Description

The Montana Board of Regents created the Montana University System Self-Funded Workers' Compensation Program April 2003 as allowed by the Workers' Compensation Act in Title 39, Chapter 71 of the Montana Codes Annotated. This program, which became effective in July 2003, provides workers' compensation insurance coverage for all university system employees and employees of the Office of Commissioner of Higher Education.

Revenues and Expenses

This program is funded as an enterprise fund in which the funding is derived from premiums and investment earnings. Expenditures include claims, reinsurance premiums, debt service, and administrative costs. Debt service is for the bonds that were issued to establish the claim reserve for the program.

Rate Explanation

Premium rates for the program are based upon commonly accepted actuarial principles developed by a qualified actuary and reviewed by an oversight committee comprised of university system representatives and the administrator of the State of Montana Risk Management and Tort Defense Division.

Proprietary Rates

The workers' compensation committee sets rates for the worker's compensation program. In FY 2013 a change in the IBNR (incurred but not reported) estimate was made that resulted in a significant reduction of the long-term claims liability (approximately \$2.8 million decrease). As a result, the committee adopted a one-time six month work comp premium holiday to run from July 1, 2013 to December 31, 2013 to spend down the fund balance.