



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # HB0513

Title: Generally revise workers' compensation laws relating to the Montana State Fund

Primary Sponsor: Noland, Mark

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 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>Cannot Determine</u>	<u>Cannot Determine</u>	<u>Cannot Determine</u>	<u>Cannot Determine</u>

Description of fiscal impact: Montana State Fund (MSF) will be prohibited from declaring dividends and will accumulate and hold in trust an excessive amount of policyholder equity. The compensation of the MSF executive director and the management staff will not receive compensation in excess of 150% of the compensation of the Governor. The fiscal impact cannot be determined.

FISCAL ANALYSIS

Assumptions:

1. Montana State Fund's fiscal year is on a calendar year basis, as established in law (39-71-2375(4), MCA). Therefore, within this fiscal note template, fiscal year 2022 reflects MSF's calendar year 2021 starting January 1, 2021 and so on.
2. Montana State Fund is a nonprofit public corporation. All MSF liabilities and expenses are paid out of policyholder premium revenue and investment income earned on those premiums.
3. Dividends cannot be guaranteed, per 33-18-210, MCA, and therefore are not forecasted for future years.
4. This bill will prohibit future MSF dividend distributions to all policyholders, including local governments.

5. In the past four years, MSF distributed \$130,000,000 in dividends. Over this four-year period, an average of 22,900 MSF policyholders received a dividend each year. Policyholders must achieve positive safety results to earn a dividend.
6. Based on safety performance, state agencies earned a total of \$5,307,574 in dividends from MSF over the last four years. State agencies will not receive dividends in the future under this bill.
7. Montana State Fund assumes that the MSF Board of Directors will continue to evaluate and determine the appropriate surplus (policyholder equity) level to maintain. This level may be above risk-based capital requirements.
8. Under this bill, and effective 7/1/2021, the executive director and management staff of MSF may not receive compensation in excess of 150% of the Governor’s compensation.
9. The Governor’s compensation is determined as provided for in 2-16-405, MCA, and may be adjusted effective July 1, 2021. Effective 7/1/2019, and until changed as provided in law, the Governor is compensated at an hourly rate of \$56.92. The executive director and management staff of MSF may not receive compensation in excess of 150% of the Governor’s compensation, which equates to \$85.38 per hour.
10. Based on current hourly rates for MSF’s executive director and all MSF management staff, the limit would result in an estimated annual reduction in total personnel service costs of \$561,282. The potential impact in future years is expected to be similar, though it cannot be determined without knowing the adjustment, if any, to the Governor’s compensation.
11. The bill will hinder MSF’s ability to competitively retain, recruit, and hire experienced insurance industry professionals.

Long-Term Impacts:

1. Montana State Fund is unable to estimate the total cost impact of this bill. However, there will be significant long-term impacts as defined in the assumptions above.

Technical Notes:

1. The term ‘compensation’ is not defined and has been interpreted to be the hourly rate of pay.

NOT SIGNED BY SPONSOR

	3/1/21	KA	2/26/21
<i>Sponsor’s Initials</i>	<i>Date</i>	<i>Budget Director’s Initials</i>	<i>Date</i>