



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # HB0514

Title: 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

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Other - Proprietary	\$862,927	\$3,441,110	\$3,546,682	\$3,654,862
Revenue:				
General Fund	\$578,161	\$2,305,544	\$2,376,277	\$2,448,758
State Special Revenue	\$284,766	\$1,135,566	\$1,170,405	\$1,206,104
Other - Proprietary	\$862,927	\$3,441,110	\$3,546,682	\$3,654,862
Net Impact-General Fund Balance:	<u>\$578,161</u>	<u>\$2,305,544</u>	<u>\$2,376,277</u>	<u>\$2,448,758</u>

Description of fiscal impact: The Montana State Fund (MSF) will pay the 2.75% tax on net premiums as required in law to the Commissioner of Securities and Insurance (CSI) for deposit into the general fund and the state special revenue fund for the Healthy Montana Kids program.

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. Under this bill, the costs that policyholder rates cover will increase to fund the payment of the net premium tax. Currently, as provided for in 39-71-2375(2)(c), MCA, MSF is exempt from the 2.75% tax on net premiums, so this expense is not built into current policyholder rates.
4. Montana State Fund's rates must be set at amounts sufficient, when invested, to carry the estimated cost of all claims to maturity, to meet the reasonable expenses of conducting the business of the state fund, and to

amass and maintain an excess of surplus over the amount produced by the National Association of Insurance Commissioners' risk-based capital requirements for a casualty insurer (39-71-2330(1), MCA).

- Once enacted, the legislation will be effective October 1, 2021. Accordingly, MSF will only pay premium tax on one fourth of its total net premiums during 2021. Net premiums, and premium tax collection by calendar year, are reflected in the table below.

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Net Premiums	\$31,379,164	\$125,131,266	\$128,970,269	\$132,904,091
Tax at 2.75%	\$862,927	\$3,441,110	\$3,546,682	\$3,654,862

State Auditor's Office

- HB 514 will increase premium taxes passing through the Commissioner of Securities and Insurance (CSI) to the general fund (67%) and the state special revenue fund for the Healthy Montana Kids program (33%).
- Other than these amounts, which are calculated by the by the Montana State Fund above, there is no fiscal impact to the State Auditor's Office.

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
Fiscal Impact: Montana State Fund				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Transfer to CSI	\$862,927	\$3,441,110	\$3,546,682	\$3,654,862
TOTAL Expenditures	<u>\$862,927</u>	<u>\$3,441,110</u>	<u>\$3,546,682</u>	<u>\$3,654,862</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Other - Proprietary (06)	\$862,927	\$3,441,110	\$3,546,682	\$3,654,862
TOTAL Funding of Exp.	<u>\$862,927</u>	<u>\$3,441,110</u>	<u>\$3,546,682</u>	<u>\$3,654,862</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Proprietary	\$862,927	\$3,441,110	\$3,546,682	\$3,654,862
TOTAL Revenues	<u>\$862,927</u>	<u>\$3,441,110</u>	<u>\$3,546,682</u>	<u>\$3,654,862</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Other - Proprietary (06)	\$0	\$0	\$0	\$0

	<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>
Fiscal Impact: State Auditor's Office				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Transfers	\$0	\$0	\$0	\$0
TOTAL Expenditures	\$0	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$0	\$0	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	\$578,161	\$2,305,544	\$2,376,277	\$2,448,758
State Special Revenue (02)	\$284,766	\$1,135,566	\$1,170,405	\$1,206,104
TOTAL Revenues	\$862,927	\$3,441,110	\$3,546,682	\$3,654,862
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$578,161	\$2,305,544	\$2,376,277	\$2,448,758
State Special Revenue (02)	\$284,766	\$1,135,566	\$1,170,405	\$1,206,104

Effect on County or Other Local Revenues or Expenditures:

1. Montana State Fund insures county and local governments, whose premiums will be impacted by this legislation.

Technical Notes:

1. This bill will be effective October 1, 2021. The bill is not clear in establishing if MSF will be assessed for October through December 2021 premiums or if the tax assessment will be based on the full year 2021 net premiums reported. This fiscal note assumes the former.

NOT SIGNED BY SPONSOR

_____ 3/1/21 _____ 2/26/21
 Sponsor's Initials Date Budget Director's Initials Date