



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # SB0076

Title: Revise the captive insurance regulatory and supervision account

Primary Sponsor: Salomon, Daniel R

Status: As Amended

- 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
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	(\$244,500)	(\$252,000)
State Special Revenue	\$229,500	\$237,000	\$244,500	\$252,000
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>(\$244,500)</u>	<u>(\$252,000)</u>

Description of fiscal impact: SB 76 increases the percentage of captive premium tax retained in the Captive Regulatory and Supervision state special revenue fund (Captive fund) from 5% to 20%. Revenue from the insurance fee state special revenue fund will be transferred to the general fund in the amount of \$229,500 in fiscal year 2022 and \$237,000 in fiscal year 2023. This allows revenue to remain neutral in the general fund in those fiscal years. For fiscal years 2024 and beyond there is a negative impact to general fund revenue.

FISCAL ANALYSIS

Assumptions:

1. The legislature, at the inception of the Captive Insurance Program, created a state special revenue fund referred to as the captive account. The purpose of the captive account is to provide the financial means for the commissioner to administer the Captive Insurance Program.
2. Captive program costs in excess of captive fund revenue are currently paid by the insurance fee state special revenue fund. Total captive program costs in fiscal year 2020 were approximately \$390,767. Of this amount, \$162,311 was paid by captive program revenue and \$228,456 was paid by the insurance fee fund. Total captive program costs are projected to be \$406,115 for fiscal year 2022, \$422,115 for fiscal year 2023, \$432,125 for fiscal year 2024, and \$435,125 for fiscal year 2025.

Fiscal Note Request – As Amended

(continued)

3. Total captive premium tax is estimated to be \$1.53 million in fiscal year 2022, \$1.58 million in fiscal year 2023, \$1.63 million in fiscal year 2024, and \$1.68 million in fiscal year 2025.
4. Captive premium tax deposited in the captive fund will increase from 5% to 20%.
5. The increase to 20% deposited will increase revenue in the state special revenue fund, and decrease general fund revenue, by approximately \$229,500 in fiscal year 2022 and \$237,000 in fiscal year 2023.
6. The insurance fee state special revenue fund will transfer cash of \$229,500 in fiscal year 2022 and \$237,000 in fiscal year 2023 to offset the general fund reduction for those fiscal years.
7. The increase to 20% deposited will increase revenue in the state special revenue fund, and decrease general fund revenue, by approximately \$244,500 in fiscal year 2024 and \$252,000 in fiscal year 2025.
8. The increase in costs paid from the captive fund will be offset by the same decrease of costs paid by the insurance fee fund for a net cost of zero in the state special revenue fund.
9. Any excess cash in the captive fund will be transferred to the general fund at the end of each fiscal year.

	<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>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Spec Rev (02) - Cptv Ins	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01) - SB 76	(\$229,500)	(\$237,000)	(\$244,500)	(\$252,000)
General Fund (01) - Transfer	\$229,500	\$237,000	\$0	\$0
State Spec Rev (02) - Cptv Ins	\$229,500	\$237,000	\$244,500	\$252,000
TOTAL Revenues	<u>\$229,500</u>	<u>\$237,000</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	(\$244,500)	(\$252,000)
State Spec Rev (02) - Cptv Ins	\$229,500	\$237,000	\$244,500	\$252,000

DS
Sponsor's Initials

3-10-21
Date

KA
Budget Director's Initials

3/10/21
Date