



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2023 Biennium

**Bill #** SB0110

**Title:** Revise state employee and U-system health plan laws for temp state share holiday

**Primary Sponsor:** Osmundson, Ryan

**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>
<b>Expenditures:</b>				
General Fund	(\$15,424,295)	\$0	\$0	\$0
State Special Revenue	(\$9,450,696)	\$0	\$0	\$0
Federal Special Revenue	(\$4,671,491)	\$0	\$0	\$0
Other	(\$11,259,242)	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$0	\$0
Other	(\$36,821,300)	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>\$15,424,295</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:** SB 110 directs the Governor and the Commissioner of Higher Education to suspend the employer contribution to the state employee group benefit plan or the Montana university group benefit plan for a period of up to two months in FY 2022. Savings are generated due to employer contributions not being made for this two-month period.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Administration – Health Care and Benefits Division**

- SB 110 directs the Governor to suspend the employer contribution to the state employee group benefit plan for a period of up to two months.
- The current monthly employer contribution outlined in 2-18-703(2), MCA, is \$1,054.

3. The State of Montana has a by-weekly payroll schedule. The employer contribution is paid on 24 of the 26 payroll cycles each year, providing for a total of 12 months of employer benefit contributions. One-half of the \$1,054, or \$527, is paid for each benefits eligible State of Montana employee by state agencies each payroll cycle.
4. The Health Care and Benefits Division (HCBD) has received an average of \$6,973,168 in state employer contribution each payroll cycle for the payroll cycles from July through December 2020.
5. A suspension of the employer contribution for a period of two months in FY 2022, would have an estimated reduction of employer contribution revenue of \$27,892,672 (\$6,973,168 per payroll cycle x 4 payroll cycles).
6. Based on a Report from the State Accounting, Budgeting, and Human Resources System (SABHRS) for the period of January through December of 2020, the breakdown of employer contribution paid by fund type is as follows:

General Fund	41.0%
State Special Revenue Fund	33.9%
Federal Special Revenue Fund	16.7%
Other	8.4%

7. Using the breakdown by fund type outlined in assumption six, a two-month suspension of employer contribution would provide an estimated expenditure reduction in FY 2022 by fund type as follows (\$27,892,672 total expenditure reduction x percentage by fund type):

General Fund	\$11,439,871
State Special Revenue Fund	\$ 9,450,696
Federal Special Revenue Fund	\$ 4,671,491
Other	<u>\$ 2,330,614</u>
	\$27,892,672

8. The state employee health plan has generated sufficient reserves over the past several years by implementing cost saving measures to accommodate SB 110 without affecting the actuarial soundness of the plan.
9. The general fund reductions related to the two-month suspension in FY 2022 are included in Governor Gianforte’s Executive Budget Proposal.

**Montana University System**

10. Fiscal impacts are based on 4,249 FTE at the Montana University System funded with current unrestricted funds. FTE from other funding sources within the university system are not included in this fiscal note.
11. The savings generated from a two-month suspension of employer contributions to the university system employee health insurance plan is \$8,928,628 of current unrestricted funds.
12. Current unrestricted funds receive revenue from two sources, the state general fund and student tuition.
13. The state general fund contributes approximately 45% of the revenue into the current unrestricted fund across the university system. Therefore, the general fund savings generated is \$3,984,424.
14. The general fund reductions related to the two-month suspension in FY 2022 are included in Governor Gianforte’s Executive Budget Proposal.
15. Student tuition side makes up the other 55% of the current unrestricted fund. Savings generated in the current unrestricted fund are \$4,994,204.
16. An indirect impact of the savings in the current unrestricted fund can be found in New Proposal 5557 in the budget of the Office of the Commissioner of Higher Education. The current unrestricted fund savings were used to offset the need for additional general fund in the university system budget request. Since this action is not required by SB 110, the savings are not shown as general fund savings in this fiscal note.
17. The university system employee health plan has sufficient reserves to accommodate SB 110 without affecting the actuarial soundness of the plan.

Department of Administration - Health Care and Benefits Division

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Personal Services	(\$27,892,672)	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>(\$27,892,672)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	(\$11,439,871)	\$0	\$0	\$0
State Special Revenue (02)	(\$9,450,696)	\$0	\$0	\$0
Federal Special Revenue (03)	(\$4,671,491)	\$0	\$0	\$0
Other	(\$2,330,614)	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<b>(\$27,892,672)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Revenues:</u></b>				
Other	(\$27,892,672)	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<b>(\$27,892,672)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Montana University System

**Fiscal Impact:**

**Expenditures:**

Personal Services (at MUS)	(\$8,928,628)	\$0	\$0	\$0
GF Transfers to MUS	(\$3,984,424)	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>(\$12,913,052)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Funding of Expenditures:**

General Fund (01)	(\$3,984,424)	\$0	\$0	\$0
Other	(\$8,928,628)	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<b>(\$12,913,052)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Revenues:**

General Fund (01)	\$0	\$0	\$0	\$0
Other	(\$8,928,628)	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<b>(\$8,928,628)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

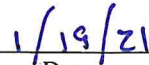
**Net Impact to Fund Balance from both plans (Revenue minus Funding of Expenditures):**

General Fund (01)	\$15,424,295	\$0	\$0	\$0
State Special Revenue (02)	\$9,450,696	\$0	\$0	\$0
Federal Special Revenue (03)	\$4,671,491	\$0	\$0	\$0
Other	(\$34,490,686)	\$0	\$0	\$0

  
Sponsor's Initials

  
Date

  
Budget Director's Initials

  
Date