



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

**Bill information:**

HB0277 - Revise workers compensation laws relating to the State Auditor (Nicol, Nelly )

**Status:** As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$188,568	\$251,424	\$255,195	\$259,023
Other - Proprietary	(\$188,568)	(\$251,424)	(\$255,195)	(\$259,023)
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Other	(\$188,568)	(\$251,424)	(\$255,195)	(\$259,023)
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:** This bill removes funding for 2.00 FTE (an attorney and a claims examiner) currently paid by the Montana State Fund. Beginning October 1, 2023, the Montana State Fund will discontinue transferring funds to the Commissioner of Securities and Insurance to fund these FTE and the expenses related to those positions. The State Auditor's Office will still need 2.00 FTE to properly regulate insurance, including workers compensation and the Montana State Fund, if HB 277 passes.

### FISCAL ANALYSIS

**Assumptions:**

**State Auditor's Office**

- The Commissioner of Securities and Insurance began regulating the Montana State Fund (MSF) in fiscal year 2016 pursuant to SB 123. At that time, additional agency resources were necessary to conduct ongoing statutory financial and market conduct examinations of the MSF and to actuarially review MSF's complex annual rate submissions.

2. On an annual basis, the MSF reimburses the cost for these 2.00 FTE, a claims examiner, and an attorney. Annual salaries and benefits for the \$93,719 and \$126,705, respectively. This bill removes the requirement for MSF to reimburse the office for these costs.
3. The CSI will still need these FTE to properly regulate insurance, including workers compensation and the MSF, should this bill pass. The CSI will need to request permanent FTE status and related HB 2 budget authority to continue to provide necessary services.
4. The current funding provided by MSF is calculated on Montana State Fund's calendar fiscal year. The CSI has temporary appropriation authority through September 30, 2023 for salaries and benefits for the 2.00 FTE. The total personal services and expenses are estimated at \$188,568 for October 1, 2023 through June 30, 2024.
5. For fiscal years 2025, 2026, and 2027, the total for salaries and benefits for the 2.00 FTE is \$220,424. This amount has been inflated by 1.5% for fiscal years 2026 and 2027.
6. Operating costs are estimated at \$23,250 for fiscal years 2023 and 2024 (\$10,500 rent; \$600 phone; \$1,650 SWCAP, SABHRS, and other state fixed costs; \$6,000 travel, training, and conferences fees; and \$4,500 miscellaneous supplies, dues, subscriptions, etc.).
7. Operating costs are estimated at \$31,000 for fiscal years 2025, and 2026 (\$14,000 rent; \$800 phone; \$2,200 SWCAP, SABHRS, and other State fixed costs; \$8,000 travel, training, and conferences fees; and \$6,000 miscellaneous supplies, dues, subscriptions, etc.). This amount has been inflated by 1.5% for fiscal years 2026 and 2027.

**Montana State Fund**

8. This bill does not include an effective date. Following passage by the legislature, and approval of the Governor, this bill will become effective October 1, 2023.
9. The state fiscal year CSI attorney, examiner and other expenses related to those positions is \$251,420 or \$62,855 per quarter. This is based on a CSI staff estimate and confirmed with MSF staff.
10. MSF will transfer \$62,855 to CSI for the FY 2024 quarter ending September 30, 2023. After that date, no further transfers from MSF to CSI to fund an attorney and an examiner position and related operating expenses will occur.

11.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	2.00	2.00	2.00	2.00
<b><u>Expenditures:</u></b>				
Personal Services - CSI	\$165,318	\$220,424	\$223,730	\$227,086
Operating Expenses - CSI	\$23,250	\$31,000	\$31,465	\$31,937
Other - MSF Proprietary	\$0	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$188,568</b>	<b>\$251,424</b>	<b>\$255,195</b>	<b>\$259,023</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$188,568	\$251,424	\$255,195	\$259,023
Other - MSF Proprietary	(\$188,568)	(\$251,424)	(\$255,195)	(\$259,023)
<b>TOTAL Funding of Exp.</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Other - MSF Proprietary	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	(\$188,568)	(\$251,424)	(\$255,195)	(\$259,023)
Other	\$188,568	\$251,424	\$255,195	\$259,023

**NOT SIGNED BY SPONSOR**

Sponsor's Initials

Date

Budget Director's Initials

Date



1-30-23