



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

SB0294 - Establish the end of watch trust (Usher, Barry)

Status: As Amended in House Appropriations Committee

- | | | |
|---|--|---|
| <input type="checkbox"/> Significant Local Gov Impact | <input 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 checked="" 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>
Expenditures:				
General Fund	\$10,000,000	\$0	\$0	\$0
State Special Revenue	\$400,000	\$400,000	\$430,080	\$5,166,600
Other (Trust Fund)	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$252,000	\$343,560	\$430,080	\$516,600
Other (Trust Fund)	\$10,142,000	\$94,027	\$41,094	\$0
Net Impact-General Fund Balance:	<u>(\$10,000,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: SB 294 transfers \$10 million from the general fund to create an “End of Watch” trust fund for law enforcement officers and their families if the officer is killed or catastrophically injured in the line of duty. The bill also creates a state special revenue (SSR) fund to receive transfers of interest and income from the trust fund. The SSR will be used to provide a monthly income loss payment for up to five years to qualified recipients. The Board of Investments will manage the trust. SB 294 also provides for 4 months of health insurance coverage for the family of a law enforcement officers killed or catastrophically injured in the line of duty.

FISCAL ANALYSIS

Assumptions:

Department of Administration

- Law enforcement deaths in Montana are similar to national statistics, while disablement rates are based on the actuarial section of the Montana Pension Plan Financial Report as of 6/30/21. Estimated on-duty deaths per year is 0.046, and estimated on-duty catastrophic injuries per year is 0.034.

2. Health care costs for dependents of law enforcement officers will be the same as dependents for all employees covered by the State of Montana employee benefits plan.
3. Four months of health insurance premium will be paid by the state agency with subsequent months by the family.

Department of Revenue

4. Payments received from the Montana “End of Watch” trust are exempt from Montana’s personal income tax.

Board of Investments

5. The Board of Investments will invest the \$10 million in the “End of Watch” trust fund at TFIP rates with compounding interest. Anticipated interest earnings would be \$394,000 in FY 2024, \$437,587 in FY 2025, \$471,174 in FY 2026, and \$491,670 in FY 2027. The bill indicates that interest income sufficient to cover the benefits paid will be transferred from the trust fund to the SSR fund. Any excess interest income will be retained in the trust fund for use in future years. Estimated benefits paid are reflected in assumptions 15-16.

Department of Justice (DOJ)

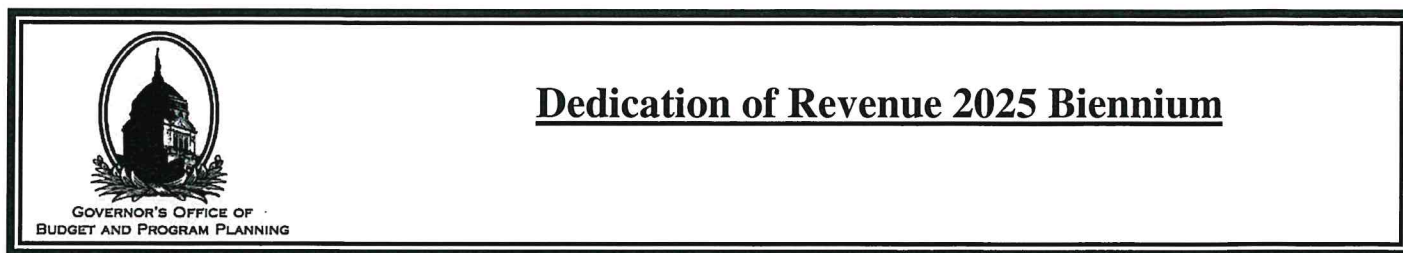
6. It is assumed that the cost of participation for the representatives of the associations would be covered by the associations. The representative from the Department of Justice would require no travel or expenses on behalf of the appointee.
7. The Department of Justice would host meetings at a DOJ facility or a local government facility at no cost.
8. The Department of Justice would not provide meals or other items at a cost to the state.
9. The trust will receive gifts and contributions to support benefit payments. DOJ is unable to reasonably estimate the number of gifts or contributions that may be received.
10. The legislature may provide money into the trust. As amended, SB 294 provides a one-time-only \$10 million dollar transfer into the trust.
11. Each month, the state treasurer will transfer from the trust to the SSR account established in this bill the amount required to meet the monthly obligations. Any earnings not transferred will remain in the trust account.
12. There is \$800,000 biennial SSR appropriation to the DOJ provided in Section 14 of SB 294 to make payments authorized in this bill. There is also language in the section that the appropriation should be considered a part of the base budget for the 2027 biennium.
13. The DOJ will distribute payments monthly to the officer’s designated beneficiary for 5 calendar years from the date of injury or death.
14. If a member of law enforcement suffers a career ending injury or death benefits in the amount of \$7,000 per month will be provided for a 5-year period. The estimated cost of \$7,000 per month is \$84,000 per year.
15. The DOJ is aware of three people eligible for loss payments retroactively. DOJ assumes one additional person will be eligible for payments each year. DOJ assumes a cost of \$252,000 (3 people x \$84,000 = \$252,000) in FY 2024, \$336,000 (4 people x \$84,000 = \$336,000) in FY 2025, \$420,000 (5 people x \$84,000 = \$420,000) in FY 2026 and \$504,000 (6 people x \$84,000) in FY 2027.
16. The DOJ assumes an increase of 3% each year to account for inflation. This would add an additional cost of \$7,560 ($\$252,000 \times 3\% = \$7,560$) in FY 2025, \$10,080 ($\$336,000 \times 3\% = \$10,080$) in FY 2026 and \$12,600 ($\$420,000 \times 3\% = \$12,600$) in FY 2027.
17. Section 2 of the bill indicates that benefits in years 2-5 would be reduced by half the amount of any workers’ compensation benefits received. The DOJ is unable to estimate the amount of any such reductions. These benefits vary by agency. Therefore, the benefits for years 2-5 may be overstated.
18. Section 2 of the bill also indicates that benefits in years 2-5 would be reduced by half the amount of any retirement benefits received. The DOJ is unable to estimate the amount of any such reductions. Each agency has different retirement requirements. Therefore, the benefits for years 2-5 may be overstated.
19. The DOJ is unable to estimate the local law enforcement deaths or disablements that may be eligible. Additional benefit payments may be required if more requests for disbursements arise.

- 20. The law enforcement officer's employing agency shall pay the premium for 4 months after the catastrophic injury or death in the line of duty, after which the officer, spouse, or dependent shall pay the premium. This will not have additional fiscal impact on the employing agency as this is assumed to be a budgeted expense.
- 21. After the 4-month period, the officer, the officer's spouse, and dependents would be enrolled in COBRA continuation coverage. The family would be responsible for the COBRA premiums.

	<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>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Benefits	\$252,000	\$343,560	\$430,080	\$516,600
Unallocated Appropriation	\$148,000	\$56,440	\$0	\$0
Transfers	\$10,000,000	\$0	\$0	\$0
TOTAL Expenditures	<u>\$10,400,000</u>	<u>\$400,000</u>	<u>\$430,080</u>	<u>\$516,600</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$10,000,000	\$0	\$0	\$0
State Special Revenue (02)	\$400,000	\$400,000	\$430,080	\$516,600
Trust Fund (09)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$10,400,000</u>	<u>\$400,000</u>	<u>\$430,080</u>	<u>\$516,600</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$252,000	\$343,560	\$430,080	\$516,600
Other	\$10,142,000	\$94,027	\$41,094	\$0
TOTAL Revenues	<u>\$10,394,000</u>	<u>\$437,587</u>	<u>\$471,174</u>	<u>\$516,600</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$10,000,000)	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Other	\$10,142,000	\$94,027	\$41,094	\$0

NO SPONSOR SIGNATURE

_____ 4.28.23 AO 4-28-23
 Sponsor's Initials Date Budget Director's Initials Date



Dedication of Revenue 2025 Biennium

17-1-507, MCA.

a) **Are there persons or entities that benefit from this dedicated revenue that do not pay?** Unknown. SB 294 benefits members of law enforcement who suffer a career ending injury or death and their families.

b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**

A state special revenue funds allows for specific tracking of benefits paid, and ensures revenue is sufficient to cover the cost of benefits paid.

c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**

The revenue source for the state special revenue fund is interest and income from the End of Watch Trust fund which is relevant.

d) **Does the need for this state special revenue provision still exist? ___Yes ___No (Explain)**

If SB 294 is passed and approved, the payments will be statutorily required so the need will exist

e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**

No. The state special revenue funds requires legislative appropriation, so the legislature will have the opportunity to scrutinize the funds.

f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**

If SB 294 is passed and approved, the payments will be statutorily required so the need will exist

g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**

The dedicated revenue will provide a direct link between the revenue source and the benefits paid. While the function could be accounted for in the general fund, the state special revenue source ensures income and interest from the trust fund are directed to the intended use.