



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0332 - Generally revise laws related to school employee health benefits (Bedey, David)

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 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	\$60,000,000	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$60,000,000	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$60,000,000	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$60,000,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 332 appropriates \$60 million state general fund to be transferred to the new state school health trust operating reserve state special revenue account by August 15, 2023, to be statutorily appropriated to provide one-time-only distribution of incentive funding to the first self-funded district health insurance trust that is qualified by the Superintendent of Public Instruction as directed in Section 1 of the bill.

FISCAL ANALYSIS

Assumptions:

- HB 332 establishes the State School Health Trust Operating Reserve state special revenue account to be statutorily appropriated for the purpose of providing one-time-distribution of incentive funding to the first self-funded district health insurance trust and appropriates \$60 million in FY 2024 to the fund.
- Section 1 of HB 332 defines the characteristics of a health insurance trust that can qualify for this payment. Among other qualifications, the trust must have a binding contractual agreement of at least 150 school districts employing a minimum of 12,000 employees.
- This fiscal note assumes that only the Montana Unified School Trust (MUST) will have the characteristics to qualify.

4. The bill allows a school district to withdraw from the trust after at least five consecutive school fiscal years and the district will not be allowed to rejoin the trust for at least five full school fiscal years following withdrawal and is not eligible to receive any share of the assets or reserve balance of the trust.
5. Voluntary dissolution of the trust is allowed in this legislation and requires the trust be dissolved if it does not meet the qualification criteria for three consecutive years. The bill specifies the order and manor of the dissolution of the trust that will require a payment to the State of Montana of remaining assets attributable to the payment made to the trust by this bill.
6. Section 4 creates a State School Health Trust Operating Reserve state special revenue fund statutorily appropriated to the Office of Public Instruction for distribution to the qualified trust on or before June 30, 2025, for initial operation beginning July 1, 2025.
7. The \$60 million appropriation is to be distributed as follows:
 - a. If a trust is qualified by June 30, 2025:
 - i. one-third (\$20 million) to school districts prorated by the number of employees; and
 - ii. two-thirds (\$40 million) to the District Health Insurance Trust.
 - b. If no trust qualifies by June 30, 2025, \$20 million would be returned to the state general fund.
 - c. If a trust is qualified after June 30, 2025 but prior to June 30, 2027, the remaining funds (\$40 million) would be paid to the qualified trust.
 - d. If no trust qualifies by June 30, 2027, the remaining funds (\$40 million) would be returned to the state general fund.
8. School districts are directed to receive the one-time funds into the district miscellaneous programs fund to be used to pay premiums for health insurance coverage of district employees.
9. The district health insurance trust is to use the funds to stabilize health insurance rates through capitalization of an operating reserve for district members of the trust.
10. Section 6 modifies 20-3-331, MCA, by adding to the allowable insurance plans trustees of a district may purchase the availability to participate in a health insurance trust as defined in this bill.
11. Total historical expenditures by Montana public schools for health care benefits are shown in the following table:

Fiscal Year	Health Care Benefit Expenditure
2022	\$147,442,182
2021	\$142,326,132
2020	\$134,863,082

12. The following table is required to comply with 17-1-508(2), MCA, regarding statutory appropriation analysis.

	<u>YES</u>	<u>NO</u>
a. The money is from a continuing, reliable, and estimable source.	X	
b. The use of the appropriation or the expenditure occurrence is predictable and reliable.		X
c. The authority exists elsewhere.		X
d. An alternative appropriation method is available, practical, or effective.	X	
e. It appropriates state general fund money for purposes other than paying for emergency services.	X	
f. The money is used for general purposes.		X
g. The legislature wishes to review expenditure and appropriation levels each biennium.		X
h. An expenditure cap and sunset date are excluded.		X

	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Transfer GF to SSR	\$60,000,000		\$0	\$0
Grants			\$60,000,000	\$0
TOTAL Expenditures	<u>\$60,000,000</u>	<u>\$0</u>	<u>\$60,000,000</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$60,000,000	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$60,000,000	\$0
TOTAL Funding of Exp.	<u>\$60,000,000</u>	<u>\$0</u>	<u>\$60,000,000</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$60,000,000	\$0	\$0	\$0
TOTAL Revenues	<u>\$60,000,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$60,000,000)	\$0	\$0	\$0
State Special Revenue (02)	\$60,000,000	\$0	(\$60,000,000)	\$0

Effect on County or Other Local Revenues or Expenditures:

1. If a trust was qualified on or before June 30, 2025, a one-time \$20 million distributed would be made to qualifying school districts to be used to pay premiums for health insurance coverage of the district's employees. Local property taxes would be reduced by this one-time payment. Once the \$20 million has been expended by school districts, the expenses would need to be covered by the districts.
2. For purposes of this fiscal note, it is assumed that participation in a trust would cost less than current insurance costs and would save an unknown amount of local property taxes.

Technical Notes:

1. This bill requires the OPI to qualify the appropriate trust to receive a \$40 million payment but provides for limited subsequent oversight of the trust's use of the funds even though there is a provision for repayment to the state in the event of dissolution of the trust.
2. Money distributed to schools is to be prorated based on the number of employees in the district. OPI does not currently gather data inclusive of all employees.
3. School districts are to receive the money into the district miscellaneous programs fund. Section 6 of the bill directs the trustees to pay for insurance from the "budget for the fund from which the employee's salary is paid." Very few employees are paid from the school district miscellaneous programs fund.

NOT SIGNED BY SPONSOR

Sponsor's Initials

Date

Budget Director's Initials

Date