



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 Amended in House Committee

- 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, as amended, 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 state auditor as directed in Section 1 of the bill.

FISCAL ANALYSIS

Assumptions:

1. HB 332, as amended, 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.
2. The Department of Administration is to transfer, by July 1, 2025, \$60 million from the state general fund to the State School Health Trust Operating Reserve state special revenue account, statutorily appropriated, and administered by the State Auditor.
3. 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 who could participate in and obtain health insurance for employees through the trust.

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 contracted to participate in the trust; 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. Section 4 of the amended bill directs school districts to receive the one-time funds into the district internal service fund in 20-3-331, MCA, to be used to pay premiums for health insurance coverage of district employees. The district health insurance trust funds are to be used to stabilize health insurance rates through capitalization of an operating reserve for district members of the trust.
9. Section 6 of the amended bill, subsection 2, states that trustees are to include the cost of coverage in the district general fund or in any other legally available fund including the internal service fund where the state trust contributions were deposited.
10. Section 6 modifies 20-3-331, MCA, by adding to the allowable insurance plans trustees of a district may purchase, the ability of a district 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.


	YES	NO
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</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>				
Transfer GF to SSR	\$60,000,000		\$0	\$0
Trust Distributions			\$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>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
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 by the State Auditor 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.



 Sponsor's Initials _____ Date 2/23/2023



 Budget Director's Initials _____ Date 2-22-23