



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 Senate Finance Committee

- | | | |
|---|--|---|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" 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 | \$0 | \$0 | \$0 | \$0 |
| Other | \$384,000 | \$96,000 | \$96,000 | \$96,000 |
| Revenue: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| Other | unknown | unknown | unknown | unknown |
| Net Impact-General Fund Balance: | \$0 | \$0 | \$0 | \$0 |

Description of fiscal impact: SB 294 creates an “End of Watch” trust fund for law enforcement officers and their families if the officer is killed or catastrophically injured while 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. There is no estimable funding source for the trust provided in the bill to fund the payments authorized in the bill. The Board of Investments will invest 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

1. 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 funds once there are deposits in the “End of Watch” trust fund.

Department of Justice (DOJ)

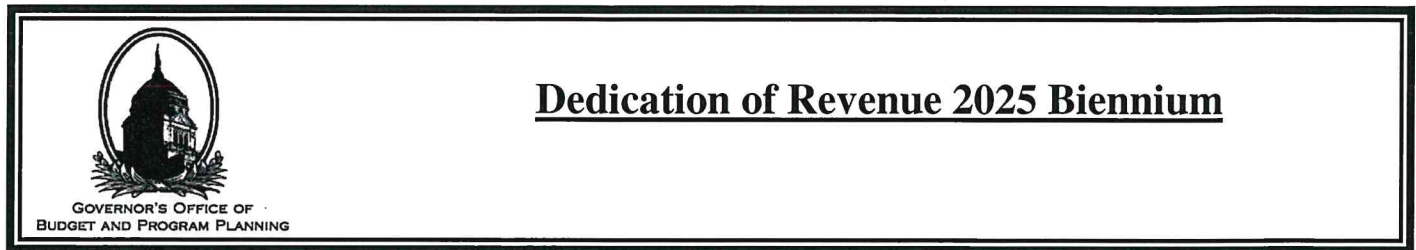
6. It is assumed that the cost of participation for the representatives of the associations would be covered by the associations.
7. The representative from the Department of Justice would require no travel or expenses on behalf of the appointee.
8. The Department of Justice would host meetings at a DOJ facility or a local government facility at no cost.
9. The Department of Justice would not provide meals or other items at a cost to the state.
10. The trust will receive gifts and contributions to support benefit payments. DOJ is unable to reasonably estimate the number of gifts or contributions to be received.
11. The legislature may provide money into the trust.
12. Any revenue received would be deposited in the End of Watch Trust fund There is no reliable funding source for the trust authorized by the bill.
13. Each month, the state treasurer will transfer from the trust to the account established in this bill the amount required to meet the monthly obligations. Any earnings not transferred will remain in the trust account.
14. Since revenue into the trust fund cannot be determined, any interest and income out of the trust cannot be determined.
15. DOJ will distribute payments monthly to the officer’s designated beneficiary for 5 calendar years from the date of injury or death.
16. DOJ estimates the current eligible retroactive payments total \$384,000 (\$8,000 per month x 12 months x 4 years= \$384,000)
17. If a member of law enforcement suffers a career ending injury or death benefits in the amount of \$8,000 per month will be provided for a 5-year period. The estimated cost of \$8,000 per month is \$96,000 per year.
18. DOJ is unable to estimate the local law enforcement deaths or disablements that may be eligible. Additional appropriations may be necessary as more requests for disbursements arise.
19. 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.
20. 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 Difference</u> | <u>FY 2025 Difference</u> | <u>FY 2026 Difference</u> | <u>FY 2027 Difference</u> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <u>Fiscal Impact:</u> | | | | |
| <u>Expenditures:</u> | | | | |
| Benefits | \$384,000 | \$96,000 | \$96,000 | \$96,000 |
| TOTAL Expenditures | \$384,000 | \$96,000 | \$96,000 | \$96,000 |
| <u>Funding of Expenditures:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| Other | \$384,000 | \$96,000 | \$96,000 | \$96,000 |
| TOTAL Funding of Exp. | \$384,000 | \$96,000 | \$96,000 | \$96,000 |
| <u>Revenues:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| Other | unknown | unknown | unknown | unknown |
| TOTAL Revenues | \$0 | \$0 | \$0 | \$0 |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| Other | unknown | unknown | unknown | unknown |

Technical Notes:

1. While the bill creates a trust and allows for contributions and gifts to be deposited in the trust, there is no estimable or reliable funding source in the bill for the trust.
2. The bill also creates a state special revenue fund to receive interest and income from the trust fund to be used to pay benefits required by Section 3. Since there is not estimable or reliable funding source in the bill for the trust, the interest and income to be transferred into the state special revenue fund cannot be reasonably determined.

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|---|---|--|---|
|  |  |  |  |
| Sponsor's Initials | Date | Budget Director's Initials | Date |

**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 when a revenue source is identified, if that revenue source 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.