



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 Senate 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	\$45,000,000	\$0	\$0	\$0
State Special Revenue	\$1,140	\$0	\$45,000,000	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$45,000,000	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$45,000,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 332, as amended, appropriates \$45 million state general fund to be transferred to the new state school health trust operating reserve state special revenue account by August 15, 2023. The funds are statutorily appropriated to the Office of Public Instruction to provide a one-time distribution to the qualifying district health insurance trust and to member districts as directed in the amended 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 qualifying self-funded district health insurance trust and appropriates \$45 million in FY 2024 to the fund.
2. A one-time general fund transfer of \$45 million is to be made by August 15, 2023, to the State School Health Trust Operating Reserve state special revenue account which is statutorily appropriated and administered by the Office of Public Instruction.
3. The bill as amended defines the characteristics of a health insurance trust that can qualify for this payment. Among 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 and shall reimburse the trust for the run-off liability of the withdrawing district or employee group. The bill prohibits any preexisting health benefits trust or district from imposing its liabilities on the trust that were incurred prior to joining the trust.
4. As amended, the bill directs that on or before January 1 of each plan year beginning after the second full year of providing health benefits to members of the trust, the trust shall prepare a report for each of its participating districts. The report is to include a member cost rate calculation, the contribution rate, the adjusted contribution inflation rate, the medical care index rate, and the inflation gap factor.
 5. Districts or employee groups with an inflation gap factor equal to or greater 1.5 may withdraw from the trust upon conclusion of the plan year in which the trust reports an inflation gap factor to the district or employee group above 1.5. The district shall notify the trust prior to withdrawal pursuant to the contractual terms of the coverage and membership in the trust.
 6. The bill, as amended, 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 and shall reimburse the trust for the run-off liability of the withdrawing district or employee group.
 7. 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.
 8. Voluntary dissolution of the trust is allowed in this legislation and requires the trust to 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.
 9. The bill, as amended, authorizes the State Auditor's Office (SAO) to adopt rules necessary to implement this bill. Estimated costs for the rulemaking are \$1,140.
 10. The State Auditor may order the dissolution of the trust if the trust fails to comply with the provisions of sections 1 through 5 or the rules adopted by the State Auditor's Office.
 11. Section 4, as amended, creates a State School Health Trust Operating Reserve state special revenue fund statutorily appropriated to the Office of Public Instruction (OPI) for distribution to the qualified trust on or before June 30, 2026, for initial operation beginning July 1, 2026.
 12. Section 5 of the amended bill requires the trust to begin repayment of the \$45 million to the state beginning in FY 2036 in the event the trust has excess reserves. The bill establishes the manor of calculating excess reserves.
 13. The bill as amended, appropriates \$45 million to be distributed by OPI as follows:
 - a. If a trust is qualified by June 30, 2026:
 - i. \$5 million to member school districts prorated by the number of employees contracted to participate in the trust; and
 - ii. \$40 million to the district health insurance trust.
 - b. If no trust qualifies by June 30, 2026, the account balance is to be transferred to the state capital developments long-range building program account for uses consistent with 17-7-209,MCA.
 14. 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.
 15. 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.
 16. 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.

17. 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

18. 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>				
Operating Expenses (SAO)	\$1,140	\$0	\$0	\$0
Transfer GF to SSR	\$45,000,000		\$0	\$0
Trust Distributions			\$45,000,000	\$0
TOTAL Expenditures	<u>\$45,000,000</u>	<u>\$0</u>	<u>\$45,000,000</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$45,000,000	\$0	\$0	\$0
State Special Revenue (02)	\$1,140	\$0	\$45,000,000	\$0
TOTAL Funding of Exp.	<u>\$45,001,140</u>	<u>\$0</u>	<u>\$45,000,000</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$45,000,000	\$0	\$0	\$0
TOTAL Revenues	<u>\$45,000,000</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)	(\$45,000,000)	\$0	\$0	\$0
State Special Revenue (02)	\$44,998,860	\$0	(\$45,000,000)	\$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, 2026, a \$5 million distribution 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 amount. Once the \$5 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 school districts or employee groups participation in a health insurance trust would incur a cost-savings providing an unknown amount of local property tax savings. It is also assumed that school districts are currently paying health insurance costs and HB 332 would not create increased costs for school districts and there is no requirement for school districts to provide employee health insurance.



Sponsor's Initials

Date



Budget Director's Initials



Date