

HOUSE BILL 907

Introduced by Harrington, et al.

2/16	Introduced
2/16	Referred to Taxation
2/16	First Reading
2/16	Fiscal Note Requested
2/23	Fiscal Note Received
2/25	Fiscal Note Printed
3/08	Hearing
3/18	Committee Report--Bill Passed as Amended
3/20	Rereferred to Appropriations
3/23	Tabled in Committee

1 *HOUSE* BILL NO. *907*
 2 INTRODUCED BY *Harmon* *DeBor* *Clark* *Radwin*
 3 *Smith* *Lehr* *Johnson* *Woff* *Simpson* *Walters*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THE NUMBER
 5 OF MEMBERS A FIRE COMPANY MAY QUALIFY FOR PENSION AND
 6 DISABILITY BENEFITS; PROVIDING AN INCREASE IN THE
 7 CONTRIBUTION OF INSURANCE PREMIUM TAXES TO THE VOLUNTEER
 8 FIREFIGHTERS' RETIREMENT SYSTEM; AND AMENDING SECTIONS
 9 7-33-2311 AND 19-12-301, MCA."

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 **Section 1.** Section 7-33-2311, MCA, is amended to read:

13 "7-33-2311. Fire companies authorized -- membership.

14 (1) Fire companies in unincorporated towns and villages are
 15 organized by filing with the county clerk of the county in
 16 which they are located a certificate in writing, signed by
 17 the foreman or presiding officer and secretary, setting
 18 forth the date of organization, name, officers, and roll of
 19 active and honorary members. The certificate and filing must
 20 be renewed annually on or before September 1.

21 (2) There must not be allowed to any such towns or
 22 villages more than one company for each 1,000 inhabitants,
 23 but one company must be allowed in any city, town, or
 24 village where the population is less than 1,000.

25 (3) There must not be allowed to any fire company more

1 than 28 certificate members for each 1,000 inhabitants or
 2 fewer than 10 members, besides the chief officer, to qualify
 3 for pension or disability benefits."

4 **Section 2.** Section 19-12-301, MCA, is amended to read:

5 "19-12-301. Fire insurance premium tax to be paid into
 6 fund. The state auditor and ex officio commissioner of
 7 insurance shall annually deposit in the volunteer
 8 firefighters' fund a sum equivalent to 5% ~~8%~~ of the premium
 9 taxes collected from insurers authorized to effect insurance
 10 against risks enumerated in 19-11-512, computed before the
 11 amounts provided for by 19-11-512 and 19-13-604 are
 12 deducted. The moneys shall be used for the payment of claims
 13 and administrative costs as provided in this chapter. The
 14 money is statutorily appropriated as provided in 17-7-502."

-End-



-2- INTRODUCED BILL
 HB 907

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0907, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act clarifying the number of members a fire company may qualify for pension and disability benefits; and providing an increase in the contribution of insurance premium taxes to the Volunteer Firefighters' Retirement System.

ASSUMPTIONS:

Public Employees Retirement Division:

1. Subject to certain reductions, an additional 3% of the premium taxes provided for the 19-11-512, MCA, will be deposited in the volunteer firefighters' fund.
2. Volunteer firefighters' pension trust fund revenues will increase in FY92; therefore, benefits paid under the current formula will increase in FY93. Since deposits from the insurance tax premium fund are made at the end of the fiscal year, investment earnings will not increase during FY92; investment earnings will increase in FY93.
3. The amount which may be paid out in benefits to all eligible retirees in each fiscal year is limited to 95% of the increase in the fund during the previous fiscal year. In addition to monthly retirement benefits, the Volunteer Firefighters' Compensation Act provided for payments to fire companies of approximately \$20,000 per year for insurance premiums. VFCA benefits and insurance expenses for the next biennium under current law are expected to be \$419,840 in FY92 and \$747,634 in FY93.
4. Assuming a normal growth in tax premiums deposited in the volunteer firefighters' pension trust fund during the 1993 biennium, the following income is expected to accrue to the trust fund under current law.

	FY92	FY93
Insurance tax premiums deposited	\$618,980	\$637,549
Investment earnings on fund	\$585,056	\$624,772

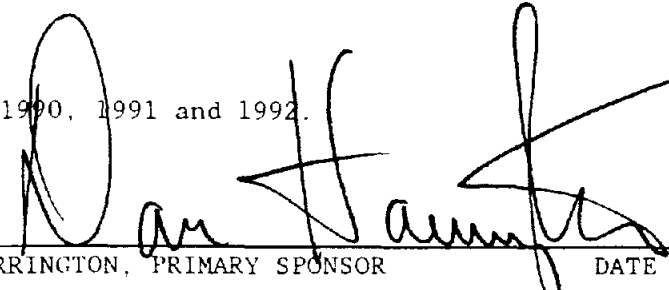
5. On a proportional basis to current deposits and assuming a 3% growth in insurance premium taxes available to this fund, the total amounts deposited from the insurance tax premium fund under the proposed law will be \$990,368 in FY92 and \$1,020,078 in FY93.
6. Assume the FY91 ending balance in the pension trust fund will be \$8,000,663.
7. Funds deposited in the volunteer firefighters' pension fund at FY end are not available for general fund use in the succeeding fiscal year. Therefore, increased deposits of insurance premium taxes to the pension fund will decrease revenues to the general fund in the succeeding fiscal year.

State Auditor:

8. The fire-related premiums for calendar year 1989 were \$424,046,729.
 9. Fire-related premiums will increase by 2% in each of the calendar years 1990, 1991 and 1992.
- (continued on next page)



 ROD SUNDSTED, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning



 DAN W. HARRINGTON, PRIMARY SPONSOR DATE

Fiscal Note for HB0907, as introduced. HB 907

2/25/91

Fiscal Note Request, HB0907, as introduced.

Form BD-15

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10. The premium tax rate is 2.75%.

11. Per this bill, the allocation of fire-related premium taxes to the volunteer firefighters' fund, now 5%, will increase to 8%.

Fiscal Impact:

Volunteer Firefighters' Fund:

	<u>FY 92</u>			<u>FY 93</u>		
<u>Expenditures:</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Benefits and claims	419,840	419,840	0	747,634	1,100,453	352,819
<u>Funding:</u>						
Expendable Trust	419,840	419,840	0	747,634	1,100,453	352,819
<u>State Auditor:</u>						
<u>Expenditures:</u>						
Transfers to VFF	606,620	970,592	363,972	618,752	990,004	371,252
<u>Transfer to General Fund</u>	<u>363,972</u>	<u>0</u>	<u>(363,972)</u>	<u>371,252</u>	<u>0</u>	<u>(371,252)</u>
Total	970,592	970,592	0	990,004	990,004	0
<u>Funding:</u>						
General Fund	606,620	970,592	363,972	618,752	990,004	371,252
Net General Fund Impact			(363,972)			(371,252)

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

While increase insurance premium taxes will be deposited in the volunteer firefighters' pension fund each year, benefits will only markedly increase during FY93. Since the law limits what can be paid out of the fund in the form of benefits each year to 95% of the growth in the fund from one year to the next, \$512,970 will be available for benefit payments in FY94, as opposed to \$475,029 under current law -- a net increase of only \$37,941 per year in benefits paid -- while general fund revenues will decrease by \$382,529 in FY94.

TECHNICAL NOTES:

1. The proposed amendment to Section 1, MCA, is not clear. Does the amendment intend that a company must have between 10 and 28 members in order for the company and its volunteers to qualify for benefits under the Volunteer Firefighters' Compensation Act (VFCA)? Or does the amendment mean that not more than 28 or less than 10 members can qualify for pension credits each year from a volunteer fire company? The intent of the amendment must be clarified in order to implement the proposed changes.
2. The proposed legislation deletes the reference to certificate members. Volunteer fire departments typically have active, non-active and auxiliary members. The involvement of each type of membership may vary relative to the conflagration the department is battling. For instance, auxiliary members may be used to haul water for major structural fires. Although the intent of the proposed legislation is to limit the enrollment in the volunteer firefighters fund, the proposed language limits the size of the department and consequently, in some cases, may decrease resources currently available to fight fires.

HB 907

APPROVED BY COMMITTEE
ON TAXATION

HOUSE BILL NO. 907

INTRODUCED BY HARRINGTON, D. BROWN, CLARK, PAVLOVICH,
STIMATZ, SCHYE, LARSON, THOFT, SWYSGOOD, SPRING, QUILICI,
MENAHAH, FOSTER, WALLIN, HARPER

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active and honorary members. The certificate and filing must
be renewed annually on or before September 17

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"19-12-301. Fire insurance premium tax to be paid into
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