MINUTES OF THE MEETING
FINANCE AND CLAIMS
MONTANA STATE SENATE

February 21, 1977

The seventh meeting of the Senate Finance and Claims Committee met on the above date in room 331 of the State Capitol. The meeting was called to order by Senator Thiessen, Chairman. Roll call was taken at 8:07 A.M. and the Chairman announced hearing in the following order. 142, 166, 188, 239 and 354. He said the meeting would be called off for Tuesday since a request had been made by the leadership to give first preference to the sub-committees, and that an extension would be given to the Finance bills if it became necessary.

Senator Healy explained Senate Bill 217 by giving the history of silicotics pension to the committee. He said over the years that legislature had raised the pension from the original $30 per month to the present $175 and the widows at ½ of this amount.

Ernie Post, staff representative for AFL-CIO said they were in support of the bill and presented a sheet, exhibit 1, attached.

John Bell, representing himself, spoke on what he considered an unfairness. He said he felt the "wrong" was in the passage of the Occupational Diseases Act itself. He said he had brought 2 people to talk briefly.

Ruby Bastian, Marysville silicotic widow spoke briefly. She said she now receives $87.50 per month and prior to the granting of this amount had received nothing. She said she was widowed in 1971.

Jim Murphy, assistant administrator for the Workman's Compensation said the fiscal impact in '78 would be $358,000, in '79 it would be $280,000 for a total of $560,700, and the effect of this bill were it to be passed on approval would be $67,462 for this fiscal year.

In answer to a question, Norman Grossfield said if silicotics were getting benefits through the Occupational Disease Act they would not get money from the Workman's Compensation.

Senator Aber explained Senate Bill 142. This bill was in regard to the re-allocation of the patrol funds. He said this bill would not generate any more new money, but would redistribute it. He said where the Highway Patrol do not maintain a 24 hour office and the counties or the cities provide the services to man the control centers to moniter and relay messages across the state network there was a need to reimburse the county or city law enforcements.

Colonel Sol, Chief of the Highway Patrol said with the increase in load they either had to maintain an office or give some sort of reimbursement to the person handling the center. He said it might save the State money since if these centers do not receive some reimbursement Missoula might ask for the total of $17,000 for this purpose as county reimbursement. He said the ones who needed someone to be on call, and where they would not have to have the office open except for the Highway Patrol, were the ones mostly concerned.

Senater Aber said both Dean Zinnicker and Dan Mizner were in favor of this bill.

Gregg McCurdy, League of cities and towns said the increased costs to the cities and counties poses a hardship and would like to reiterate what the others had said.

The question was asked, what of the $120,000 if there is no expense. The answer was that he had not stated no expense, he had stated it would not generate any more money. He said that it would be less money returned to the state since they would retain 20% of the funds collected for fines and forfeitures before the money was sent to the state.

Senator Regan asked if this could cause a problem in coming years--whereby they could come back to the state and demand full funding for these centers. She was assured that this was unlikely because of the limitation.

Senator Healy spoke briefly on Senate Bill 166 and asked Mr. Norman Grossfield, Administrator of the Division of Workmans Compensation to address the bill.

Norman Grossfield said this bill would cover those employees who were injured but were not covered since the employer had let the premiums lapse, or had not been covered. He said the money would be taken from the Workman's Comp funds at the rate of $1,000 per death, and should be actuarially sound in about 18 months. This bill would provide the money to start it sooner, and could be paid back to the general fund if so desired. He said most of the claims were small, a cut hand etc., but they did have 2 large ones this year. One on the Indian Reservation where one person was killed and another disabled for life, the other was also serious. He gave members of the committee copies of suggested amendments to Senate Bill 166, exhibit 2, and a statement regarding funding of the proposed bill, exhibit 3, both attached.

Ernie Post spoke in support of the bill. He said Jim Murry, Executive Vice President of the Montana AFL-CIO and member of the advisory board also approved this bill.

Some discussion was held on the policy of the bill--on the problem of penalizing those who did pay, to pay for the free riders, the possibility of getting these employers to contribute to the fund, etc. Mr. Grossfield said they had trouble collecting from some of these people because of the reluctance of the County Attorney's to cooperate in prosecuting. He said this bill would let the Division, through legal action, to bypass the county attorney in many cases.

Senate Bill 188 was explained by Senator Thomas who said it would save the state money. This bill calls for 18¢ per mile reimbursement to parents rather than the $1.20 it presently costs per student for a bus.

Senator Regan asked why the 18¢. She felt this could set a precedence and the state departments would all be asking for this sum. She suggested an amendment to change the 18¢ to 15¢, but deferred action until executive consideration of the bill.

Senator Rasmussen explained Senate Bill 354 and said he had two proponents to the bill.

Mr. Tom Schneider, MPEA, handed out a sheet of paper giving the figures on the Game Wardens retirement contributions at present.

Mr. Nachtsheim, Administrator of Public Employees Retirement Division spoke on the bill. He said the 14% funding was not keeping up with the 17.66% needed, and while this bill would not raise anything, it would keep them from going backwards at a faster rate than at present.

Discussion was held on the retirement time of 25 years for teachers, 30 years for PERS, and why the preferred rate for some groups.

In answer to a question Mr. Nachtsheim said the retirement was tax free to the State, but taxes were paid to the Federal Government.

The meeting adjourned with the announcement that there would be no meeting on Tuesday and that the President of the Senate had discussed the delay on Finance bills with the House.

Thiessen

Senator Thiessen, Chairman

ROLL CALL

FINANCE AND CLAIMS COMMITTEE

45th LEGISLATIVE SESSION 1977 Date 2/21/77

NAME	PRESENT	ABSENT	EXCUSED
THIESSEN, CH	✓		
HIMSL, V.C.	✓		
STORY	✓		
ETCHART	✓		
KOLSTAD	✓		
LOCKREM	✓		
NELSON	✓		
SMITH	✓		
STEPHENS	✓		
FASBENDER	✓		
BOYLAN	✓		
FLYNN	✓		
MEHRENS	✓		
REGAN	✓		
ROBERTS		✓	
THOMAS	✓		

SENATE Labor & Emp. COMMITTEE

BILL ______ VISITORS' REGISTER DATE 2-21

NAME	REPRESENTING	BILL #	(check one) SUPPORT	OPPOSE
Joe R. Sol	Hiway Patrol	142	✓	
Ruby Bastain				
[illegible]	Mt State AFL-CIO	166 217	✓	
James J Murphy	Division of Workers Comp.	166 217	✓	
Norman H Grosfield	Division of Workers Comp	166	✓	
Gary Lindsay	Dept of Agric.	239	✓	
E R Fastnow	Dept of Agri	239	✓	
GREGG L McGuire	Assn. of Counties	142	✓	
Sen Lee	Self	166		
Madalyn Quinlan				
Glen Drake	Leag of Cities & Towns	142	✓	
Glen Drake	American Ins Ass'n	166	✓	
Tom Schneider	MPEA	354	✓	

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY exh #1

WIDOWS OF SILICOTIC BENEFICIARIES
WHOSE HUSBANDS DIED BEFORE MARCH, 1974

In order to provide some benefits to widows not receiving payments under the first portion of the Program, the Legislature granted widows of silicotic beneficiaries whose husband died before March, 1974, monthly payments equal to one-half (1/2) the monthly payment made to silicotics. When the bill passed the Legislature, the Division identified 549 married claimants who died prior to March, 1974. Letters were sent to the widows of these claimants and replies from 241 were received and approved for benefits effective July 1, 1975. Many of the widows did not reply to the initial contact. As of November 30, 1976, 256 widows receive benefits under this portion of the Program.

The following schedules show the ages of these widows by various age groupings.

Age	Number
51-59	7
60-64	19
65-69	42
70-74	60
75-79	52
80-84	53
85-89	21
90-over	2
Total	256

Age	Percentage
51-69	26%
70-79	44%
80-over	30%
Total	100%

Ex H 2

AMENDMENTS TO SENATE BILL 166

1. Amend page 2, Section 1, line 9.
Following: "Household"
Insert: "and domestic"

2. Amend page 3, Section 2, line 14.
Following: "92-212"
Insert: ", 92-213, and 92-214"

3. Amend page 9, Section 4, line 21.
Following: "be paid"
Insert: "from the fund"

4. Amend page 11, Section 5, line 4.
Following: line 4
Insert: "Section 5. There is a new R.C.M. section numbered 92-213 that reads as follows:

92-213. Election of uninsured employee to take under the fund or bring action against employer -- limitation on benefit entitlement under the fund. (1) An employee who suffers an injury arising out of and in the course of employment while working for an uninsured employer as defined in 92-212(1), or an employee's beneficiaries in injuries resulting in death, may elect to either receive benefits from the uninsured employers fund or pursue a damage action against the employer. However, once an election has been made to either take from the fund or pursue a damage action, the election is final and binding on the employee or the employee's beneficiaries, heirs, and personal representatives. An injured employee or the employee's beneficiaries may not receive both benefits from the fund and pursue a damage action. If an injured employee or the employee's beneficiaries elect to bring an action to recover damages for personal injuries sustained or for death resulting from personal injuries so sustained, it is not a defense for the employer that the:

(a) employee was negligent unless such negligence was willful;

(b) injury was caused by the negligence of a fellow employee; or

(c) employee had assumed the risks inherent in, incident to, or arising out of his employment or arising from the failure of the employer to provide and maintain a reasonably safe place to work or reasonably safe tools or appliances.

(2) Notwithstanding the provisions of 92-212 and 92-614, injured employees or an employee's beneficiaries who elect to receive benefits from the uninsured employers fund are not granted an entitlement by this state for full workers' compensation benefits from the fund. Benefits from the fund shall be paid in accordance with the sums in the fund. If the division determines at any time that the sums in the fund are not adequate to fully pay all claims, the division may make appropriate proportionate reductions in benefits to all claimants. The reductions do not entitle claimants to retroactive reimbursements in the future."

Renumber: all subsequent sections.

5. Amend page 11, Section 5, line 4.
Following: "section"
Insert: "numbered 92-214"

6. Amend page 11, Section 5, line 19.
Strike: "wilful"
Insert: "willful"

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MEMORANDUM REGARDING FUNDING OF THE PROPOSED
UNINSURED EMPLOYERS FUND
(SENATE BILL NO. 166)

The proposed bill to create an uninsured employers fund would provide a system that would grant to employees workers' compensation benefits even though their employers had not properly been insured. A separate memorandum explains in detail the provisions of the bill. The following explanation is submitted regarding the proposed funding system to be used.

The fund would be funded through four sources. The first source would be through a penalty assessed against uninsured employers. This penalty would amount to double the amount the employer would have paid in premiums for the three preceding years while the employer had uninsured employees, or $500, whichever is greater. This penalty system would replace the present criminal penalty which carries a fine of up to $600 or imprisonment up to six months. Second, the fund would be reimbursed by uninsured employers for the amount paid out of the fund to an injured employee of an uninsured employer. Thus, if the uninsured employers fund had to pay $2,000 to an injured employee for compensation and medical benefits, the fund would seek reimbursement for the $2,000 from the uninsured employer. The bill proposes to put a maximum limitation on an uninsured employer's liability of $30,000. Third, the fund would be granted $1,000 assessments for each industrial death. Presently, there is a $1,000 assessment for each death case in Montana involving an industrial injury. The assessment amount now goes to the subsequent injury fund. The subsequent injury fund law was passed in 1973 and assessments have been granted to this fund through the $1,000 assessment system and also through an additional assessment that is charged against insurers under all three compensation plans. The subsequent injury fund establishes a system whereby individuals with severe handicaps can become eligible for employment, because the fund limits an employer's liability for workers' compensation payments should the worker be reinjured. As of December 31, 1976, the fund balance for the subsequent injury fund was about 1.3 million dollars. Based on its experience to date, the Division considers that the subsequent injury fund has now been built up to a point whereby adequate reserves can be established to pay current liabilities and liabilities incurred in the near future. Thus, the $1,000 assessment could be transferred from the subsequent injury fund to the newly created uninsured employers fund without jeopardizing the solvency of the subsequent injury fund. There are approximately fifty industrial deaths per year in the State of Montana. Thus, if this unfortunate record continues, the fund would receive approximately $50,000 per year through the $1,000 death assessment system. In a one and one-half year period, the assessment would amount to approximately $75,000.

Fourth, during a meeting with the Senate Laobr and Employment Relations Committee, it was suggested that the fund also receive a general fund appropriation of $150,000. This would permit an earlier effective date for benefit payments, such as July 1, 1977, rather than January 1, 1979.

Under an insurance system, insurers must recognize potential liabilities and set aside dollar amounts in reserve accounts in order to provide for estimated liabilities. The Division believes that there should be an attempt to operate the uninsured employers fund on a sound financial basis by establishing proper reserves for liabilities as such liabilities occur. This will avoid the possibility of insolvency of the fund in future years.

efw - 4

Information - Senate Bill No. 354.

The purpose of this bill is primarily to help resolve the present funding problem of the Game Wardens' Retirement System.

Cost of a retirement system are primarily two-fold:

(1) Normal cost - the day-by-day accruing cost due to current membership in a retirement plan.

(2) Unfunded cost - [redacted] the funding cost at the inception of a new system where there is creditable service prior to the inception of the system.

The normal cost of the Game Wardens' System based on the June 30, 1974 Actuarial Valuation is 17.66% of gross salaries.

The present contributions are:

Employee	7.00%
Employer	7.00%
Total	14.00%

This system is going backwards in the sense that the liabilities (member service) is exceeding the funding by 3.66% per year.

The unfunded liability at June 30, 1974, was $2,344,000 which required a funding rate of 8.81% of gross salaries.

(64-1410(1), Page 1) This bill does not address the unfunded liability rate but simply is an attempt to provide adequate funding for current benefits by bringing the combined employee-employer rate up to 18%. This will approximate the normal cost of 17.66% and provide .34% to help fund the accruing interest on the unfunded liability.

(68-1410(2), Page 2) This does not change the present employer contribution rate for expense of .003% of gross salaries but does permit the Board to lower this expense rate.

(68-1417(2), Page 3) Removes a very discriminating provision. The actuarial cost is minimal.