

APPROPRIATIONS - FINANCE AND CLAIMS

SUBCOMMITTEE: HUMAN SERVICES

AGENCY I

MARCH 1, 1979 - CAPITOL ANNEX

The meeting was called to order at 7:10 a.m. by Chairman Steve Waldron with the following members present:

Chairman Steve Waldron
Senator Gary Aklestad
Representative Bill Hand
Representative Robert Marks
Senator Pat Regan
Senator Pete Story

Others present were: Sue Bartlett; Norm Grosfield, Administrator for Workers' Compensation Division; Bill Palmer, Chief of the Centralized Services for WCD; Dave Fuller, Commissioner for DL&I; Linda Gamble, OBPP; Jim VanKoten, OBPP; Jim Murphy, Asst. Administrator for WCD; and Curt Nichols, LFA.

WORKERS' COMPENSATION DIVISION

This division is divided into four programs: Administration, Safety and Health, State Insurance and Insurance Compliance. They are responsible for Workers' Compensation Insurance under three plans: a state plan, self insurance and insurance through a private carrier. They also handle the Silicotics Program, the Social Security Offset Program and the Crime Victim's Compensation Program.

Curt Nichols, LFA, told the subcommittee that they recommended \$150,000 per year for the Crime Victim's Compensation. The OBPP recommended over \$200,000 per year.

Linda Gamble, OBPP, told the subcommittee that they have recommended \$208,000 for the Crime Victim's Compensation Program. This is all "earmarked" funds from fines. For the total division there is recommended by the OBPP \$957,000 for FY 80 and \$964,000 for FY 81 of general fund money. Most of this money is for the Silicotic Program, approximately \$819,000.

Representative Marks requested a list of the department's publications and travel.

Dave Fuller, Commissioner of the DL&I, told the members that they have asked for a 3% increase in appropriations and for one FTE over the current level. The FTE would be used as a monitor for the Uninsured Employer Program.

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Norman Grosfield, Administrator of Workers' Compensation, explained to the group that their main function is to operate Workers' Compensation in the State of Montana. He told the subcommittee that the case load is increasing because of more enrollees in the programs and expansion in the insurance programs.

Bill Palmer, Chief of Centralized Services for WCD, explained that the Silicotic Program is completely general fund money. They anticipate that the program will eventually be wound down as the silicotics die out. Mr. Palmer then explained how they set their budget. All supervisors submit their proposed budget. The division then reviews and compares the budgets with the past fiscal year. From there they construct the final budget. It is a zero based budget and all expenditures must be justified. They do not allow for a straight increment budget.

Mr. Palmer gave the subcommittee a handout on the budget schedules and went over them. He told the members that state law determines the benefits available. The rates in Montana are slightly higher than some states; but they also offer more benefits.

Schedule I addressed personal services. The OBPP took five positions last year with the hiring freeze. Their recommended FTE level is 161 and the LFA recommended level 163. The LFA took out \$39,163 for vacancy savings. The LFA allowed for an increase in Social Security. The OBPP did allow for a budget modification of one FTE for the Uninsured Employer Program. The next sheet addressed the division's increased work load and exactly where it was located. Next Mr. Palmer made comparisons between the budgets. Some of the major differences were in communications where the department is anticipating rate increases for mailings; rent where the Executive used a \$6 per square foot estimate and the LFA used a \$5 per square foot estimate; and repair and maintenance wherein the department felt they needed the OBPP estimate as they have bought a new filing system which needs maintenance. In all, the LFA recommended a 6.1% reduction in general fund monies and the OBPP recommended a 5% reduction.

Norm Grosfield explained the different programs in the division. The State Insurance Fund Bureau is responsible for the state insurance program. The bureau is actually an insurance company owned by the state. It is run exactly as an insurance company with underwriters, set rates and claims. The Insurance Compliance Bureau is required by law and is responsible for the review and monitoring of the self insured and privately insured employers. They must monitor all

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adjustments and claims. They have a file on all claims.

Safety and Health is responsible for inspecting boilers, coal mining and hard-rock mining. Some areas are handled by OSHA and they are not required to inspect those. They must inspect, adopt uniform regulations and enforce the regulations.

Senator Regan questioned Curt Nichols on the difference in budgets.

Mr. Nichols addressed the differences starting with personal services. The division experienced last fiscal year a five to ten percent vacancy savings factor. The LFA only took a 1.75% vacancy savings from the program. He took the reduced rate because he felt the work load would be increasing. The chairman asked if the Executive recommendation was taken for FTEs with an added vacancy savings, would the division be at about 159 FTEs. That was correct.

The difference in contracted services was due to the fact that the LFA did not include funds for the state accounting system. As it stands now they do not need these funds.

Mr. Nichols will do some work on the communications budget. The department has come to him and expressed a problem with the postage. He will have adjusted figures by the work session.

In travel, the LFA's figure was based on FY 78 funding with adjustments for more people. Senator Regan asked if consideration has been made for a possible gas shortage. Mr. Palmer said they may go to public transportation or perhaps locate more inspectors in the field.

Rent was explained previously. There was a difference in estimated costs. Right now the division is paying less than \$4 per square foot and the LFA did not feel it would go over \$5 per square foot. Mr. Palmer explained that they are proposing a new building and they are waiting for a decision on that. The main lease is up this July.

On repairs and maintenance, Curt Nichols will look at the equipment situation again and revise his estimates.

The Crime Victim's Compensation was funded by the fiscal analyst at \$150,000 per year. He felt this allowed plenty of funding for expansion. Mr. Nichols explained there is \$208,000 available in federal funds and all that is necessary

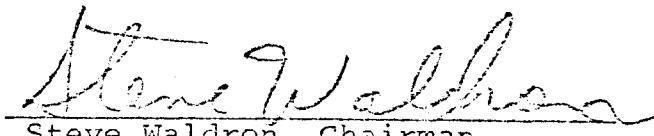
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is spending authority. They could come back with a supplemental if more authority is needed. Jim Murphy, Assistant Administrator, told the subcommittee that compensation in the program was mandated by law.

Mr. Murphy explained the set-up of the State Insurance Company. They gave out benefits in FY 78 of \$13,124,000 and took in \$22,253,622 in premiums. The amounts held for cushions and investments is decided by an independent actuary who audits them once every year. The company does have to pay for claimants who die. This is one of the most expensive claims. They must pay the widow 66-2/3% of the employee's wages for the life of the spouse unless she remarries.

The meeting was adjourned at 9:40 a.m.

Respectfully submitted:


Steve Waldron, Chairman
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