

MINUTES OF THE MEETING
FINANCE AND CLAIMS COMMITTEE
MONTANA STATE SENATE

March 1, 1979

The 7th meeting of the Senate Finance and Claims Committee met on the above date in room 108 of the State Capitol Building. The meeting was called to order at 11:07 a.m. with a quorum present.

ROLL CALL: All members present except Senators Story, Regan and Thiessen.

Chairman Himsl made two announcements: 1. The members of the Finance, Appropriation, and the subcommittee on Agency I would be receiving an invitation at the request of the National Guard to take a helicopter trip to Great Falls on March 13; and 2. There would be a meeting on Saturday to hear House Bills 445 and 403.

CONSIDERATION OF HOUSE BILL 709: Representative Underdal said this bill has to do with the retirement of general obligation bonds for construction of the Boulder River School in 1953-- a bond issue of 1955. At the present time the bonds are paid up, the fund is still there, and drawing interest. This bill is necessary to revert the money back to the general fund. The total fund, as of January 1, 1979 is \$99,185.59.

Mary Craig, Department of Revenue, spoke in favor of the bill. She said it would assist them in the account records.

Questions from the committee: Senator Stimatz asked why the amount was stated as of January 1. Did it change? Ans. Yes, occasionally some delinquent tax comes in, or the interest.

Senator Fasbender: Is this a building that was built at Boulder and is paid off and the money is still there? Ans. Mary Craig: Yes. The building was paid off a long time ago.

Senator Himsl: The money left, plus the interest, plus the money from the delinquent taxes has built up to this amount? Ans. Yes.

Senator Thomas: Was this before the long range building program?
Mary Craig: This was a sinking fund. You have to have a bill to revert it back.

MOTION by Senator Smith that House Bill 709 BE CONCURRED IN.
Voted and passed.

CONSIDERATION OF SENATE BILL 372: Senator Lowe explained this bill as one of the measures in regard to the employment insurance fund. This bill was in the Senate and because it would have some impact on the general fund, it was sent to this committee. He said with the trouble the unemployment fund had been having in the past few years, the rate had gone up to 3.1%; they had then borrowed \$10 million from the Federal Government; the fund

now is in the black about \$12 million, but we still owe the \$10 million to the Federal Government; that they are looking to plug up some of the ends and get back on a healthier basis; this bill was suggested by, and has the support of, the Department; and it would put the government hiring policy on the same basis as private employment unless they go on the payment route. They do have, and will continue to have, this option. There are two alternatives now: 1. The contribution method. Government entities pay .4% of their payroll into the state fund as a regular premium. This amount can vary to 1.5% depending on their experience rating; and 2. Go on the actual payment basis. Example: If they draw \$3,000 from the fund for benefits, they pay that actual amount. They get a free ride on the administration costs, and will continue to do so, since by federal decree they cannot be charged for administration costs. This bill would eliminate the special contributions plan giving the option of actual costs or experience rating, and would encourage government entities to be more careful in their hiring policies and if a proposed amendment would go through, would make it effective Jan. 1, 1980 which would reconcile the fiscal year with the calendar year.

Mr. Fred Barrett, Administrator of the Employment Security Division said this is a matter of equity. There is a tax impact. They feel it is a logical way to solve the situation so that all employees are on the same rule. He said the administration costs are born by the private members now--all private members are taxed and this provides for the administrative costs. (The Federal Employment Tax Act.) He said it would also be an advantage to them in administering the program since it would be one less method to work under--only the options of actual cost or the same rate as the private employers.

Mr. Harold Kansier, Director of the Unemployment Program, Montana Employment Security Division, said when the government entities were first covered the government required we have a special experience rating system for the coverage. At the present time only 10 states use a special experience rating.

Mr. Dan Mizner, Montana Cities and Towns, spoke in opposition to the bill. He said he felt he should point out some problems in it which would affect the local governments. Under CETA they are hiring these people as a last resort. According to the fiscal note, this would cost more for the local governments, and the committee should be aware of the fact that many were already at the maximum mill levy; if the state made this mandatory, they must look for more funds for local government to pay it with.

Mr. Kansier said he was surprised that Mr. Mizner should mention the CETA program since the Federal Government picks up all the costs so far as the CETA program is concerned.

Senator Himsel: In regard to House Bill 190--isn't this a different concept? Mr. Kansier: It is an experience rating. It

would affect that. HB 190 redefines a new rating system.

Senator Himsl: The information, from what I understand--the fund is now some \$10 million to \$12 million, and we owe \$10 million?
Answer: This morning it was \$11 million plus. We are now a little in the black.

Senator Himsl: On the options as they now exist--did you say the deficit was \$1½ million? Kansier: In 1977 it was \$1,548,000. They are paying the .4% and are not paying the actual costs. It is difficult to budget for it, and they are billed after the payment is made.

After some discussion on government agencies paying back the dollars it draws out, and a recalculation of the percentages, Senator Fasbender asked if 1.5% is not enough. Ans. The agencies pay different rates depending on their experience rating. The universities are low and the hospital high.

Senator Himsl: Doesn't the experience rating include part of the administrative costs? Kansier: The administrative costs are paid by the federal government from funds generated by the federal tax on employers.

In answer to a question from Senator Fasbender, Mr. Barrett said his statement was that the private employers, through the Federal Employment Tax are paying for all the administration costs. The government entities are exempt. In essence, the private employers are subsidizing the government entities.

Senator Fasbender: What will the rate be under HB 190? Kansier: It would range from (in 1979) a rate range minimum of 1.9, a maximum of 4.4, and in 1980--if that brings enough money--the rate will drop. At the present time they would pay on the total wages. Under the experience rating, they would pay on a taxable wage basis. In 1980 the estimated total wages may be \$593 million, the taxable wages, \$362 million.

Senator Fasbender: How do you arrive at the rate? Kansier: That will be set by law.

In answer to whether HB 190 and this bill, SB 372, could work together, Senator Lowe answered that the two will work in good coordination with each other. HB 190 sets the high and the low. SB 372 will crank the percentages in that are agreed upon. The good part of this is that it will put employers back in a good employment rating. This went out when the Department went into the red.

Senator Himsl: Doesn't HB 190 retain options that this bill would exclude? Senator Lowe: No. SB 372 still has the options. Page 2, line 24, 25, etc.

Senator Thomas: If a person quits--after 2 months, does he get benefits? Mr. Barrett: The circumstances of quitting, is determined when he quits. At the present time if he quits he cannot draw for 6 weeks, then those weeks are taken away from him so he can only draw the remaining. Under the experience rating, if the city employer had a separation, they cannot be charged.

Senator Aklestad: If the lower and higher rating is set legislatively, the highest is 4 and the low is 1.5--why are they being charged at a .4% if you have this latitude to change it? Answer: It is based on their experience rating.

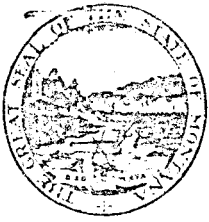
Senator Aklestad: Do you anticipate lowering the rates for private employers? Ans. No. The amount of the fund has to get back up.

Senator Lowe stated in closing that under the federal laws we do have to furnish them a rating system -- or they can reimburse.

The hearing closed, and Senator Himsl said we would hold Senate Bill 372 until we get HB 190 or know what happens to it before we take action on 372.

MOTION to adjourn. The meeting adjourned at 11:53 a.m.


Senator Himsl, Chairman



STATE OF MONTANA

Office of the Governor

Budget and Program Planning

Thomas L. Judge
Governor

George L. Bousliman
Director

Capitol Building - Helena, Montana 59601

February 21, 1979

Senator William R. Lowe
Montana State Senate
State Capitol Building
Helena, Montana 59601

Dear Senator Lowe:

Attached is information concerning state and local government contributions to the Unemployment Insurance Trust Fund furnished by the Employment Security Division.

Concerning Montana state government, it is estimated that, in total, the State General Fund funds 40% of total personal services; thus, the additional contributions required by the state would be funded as follows:

	<u>FY 80</u>	<u>FY 81</u>
General Fund	\$117,000	\$234,000
Other funds	<u>175,500</u>	<u>351,000</u>
Total	<u>\$292,500</u>	<u>\$585,000</u>

Sincerely,

A handwritten signature in cursive script that reads "Richard L. Franz".

Richard L. Franz
Assistant Director

ROLL CALL

SENATE FINANCE AND CLAIMS COMMITTEE

46TH LEGISLATIVE SESSION 1979

Date 3-1-79

NAME	PRESENT	ABSENT	EXCUSED
SENATOR HIMSL	λ		
SENATOR STORY		X	
SENATOR AKLESTAD	X		
SENATOR LOCKREM	λ		
SENATOR ETCHART	X		
SENATOR NELSON	λ		
SENATOR SMITH	λ		
SENATOR BOYLAN	X		
SENATOR REGAN		X	
SENATOR FASBENDER	X		
SENATOR THIESSEN		X	
SENATOR THOMAS	λ		
SENATOR STIMATZ	X		

COMMITTEE ON

Finance & Claims

DATE

3-1-79

BILL NO. SB-372 HB-709

VISITOR'S REGISTER

NAME	REPRESENTING	Check One	
		Support	Oppose
Jack Meyer	Mont esters towns		X
Harold Klausier	Mont Emp. Sec. Div	X	
Fred Barnes	" " " "	X	
Joe Ferda	Highwood High School	X	
Bob Vernon	Highwood highschool	X	
Wally Bugenheier	" " " "	X	
Janet Soudairo	" " " "	X	
Lois Burchak	" " "	X	
Shlene Hagen	" " "	X	
Katie Willett	Highwood, Montana		X
Kevin KATZENBERGER	HIGHWOOD MONTANA		X
Aring zimmer	Highwood, Montana	X	
William R. Lowe-Sen.		X	

(Please leave prepared statement with Secretary)

STANDING COMMITTEE REPORT

March 1 19 79

MR. President

We, your committee on Finance and Claims

having had under consideration House Bill No. 709

Respectfully report as follows: That Senate Bill No. 702

BE CONCURRED IN

~~DO PASS~~

SENATE COMMITTEE

FINANCE AND CLAIMS

Date 3-

44 Bill No. 709 Time 11:30

NAME	YES	NO	ABSENT
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SENATOR STORY	<i>ck</i>		
SENATOR AKLESTAD	x		
SENATOR LOCKREM	<i>ck</i>		
SENATOR ETCHART	x		
SENATOR NELSON	^		
SENATOR SMITH	^		
SENATOR BOYLAN	x		
SENATOR REGAN	<i>ck</i>		
SENATOR FASBENDER	x		
SENATOR THIESSEN	<i>ck</i>		
SENATOR THOMAS	x		
SENATOR STIMATZ	<		
SENATOR HIMSL	x		

[Signature]
Secretary

Chairman

Motion: *Be Concurred In*