

STATE ADMINISTRATION
FEBRUARY 11, 1981
RM 436

The meeting of the State Administration Committee was called to order at 8:00 a.m. on February 11, 1981 with Vice-Chairman Walter Sales presiding. All members were present except Representative Azzara who was absent and Representative Feda who was excused.

The meeting was opened to a Hearing on House Bill 674.

HOUSE BILL 674-SPONSOR, Representative Fabrega, introduced HB 674 to the committee. This bill, the Montana Firefighters' Unified Retirement Act, unifies the fire department relief assoc. in first- and second-class cities under a single administration. It provides for a retirement board to administer the pension plan, defines service, disability, and survivorship benefits for members of the plan; provides for the investment of the retirement funds, requires employee, employer, and state contributions, and provides an automatic, salary-related cost-of-living adjustment for members and their beneficiaries. Representative Fabrega went through each section of the bill and explained the mechanics and the rationale behind the bill. He stressed that we cannot keep passing this unfunded liability on to the future. This bill provides a way of funding this liability. He said that it is not an overnight process but within 40 years the system will be actuarially sound.

PROPOSERS

RAY BLEM, Montana State Firemen's Assoc., arose in support of HB 674 and gave a brief history of how this bill was put together. He said that they had been working since July to put this legislation together. Under a unified plan there would be less impact to the system in a disaster situation.

AL SAMPSON, Montana State Fire Chiefs Assoc., stated that this is not a pension reform bill. There is no basic increase in benefits. In fact, he stated, the present firefighters will pay an additional 1% of their salary. This bill will provide that money that goes into the retirement system from the cities will be based on a percentage of salaries.

LARRY NACHTSHEIM, P.E.R.S., stated that they support the concept of the bill. He said that the committee should carefully consider the following sections of the bill: 9, 11, 15, 23, 34-3b, 36, 37-3b, 40-3b, and 46. He said that this bill gets funding from two sources. The contributions of the employees of 1% for administrative costs and also funding from the insurance premium tax fund. A copy of his statement is EXHIBIT 3 of the minutes.

RICH BROWN, Mayor of Helena, stated that there are some details in the bill they would like to see worked out but they are in support of this type of unified system.

OPPONENTS

PAUL LAISY, Missoula Rural Fire Department, stated that they are not really opposed to the bill but are opposed to the fact that this bill does not allow paid firefighters to take part in the plan. He said it is discriminatory in that manner. He said he would like to see an amendment to the bill that would allow third class cities to participate.

AL THIELAN, City Administrator, city of Billings, said that he agreed with Representative Sales that this bill along with a couple other firefighters' bills should be put into a sub-committee. He said they are opposed to several areas of the bill. He explained these disagreements to the committee. A copy of his prepared statement is attached and is EXHIBIT 1 of the minutes.

JOE WOLF, Budget Director, Butte Silver Bow, stated that they are not opposed to the concept of the bill but he concurred with Mr. Thielan that the bill needs work.

QUESTIONS BY THE COMMITTEE:

McBride: Are there many systems that do not go through the board for investment of their funds?

Nachtsheim: The only ones that have authority to stay out are locally administered funds, fire departments of third-class cities etc.

McBride: What is the reasoning behind not wanting to be under the board of investments in this bill?

Blem: In 1973 we were put under the Short Term Investment Policy (STEP). We feel we can go back to investing our funds and improve our investment earnings.

Representative Fabrega closed the hearing on House Bill 674. He said that he could understand Mr. Thielan's concerns but the basic bill is good and these problems can be worked out.

HOUSE BILL 649-SPONSOR, Representative Keedy, introduced this bill to the committee. Under the Municipal Police Officers' Retirement System and the local police pension plans, police officers retired before July 1, 1975, receive an automatic, salary-related cost-of-living adjustment. This escalator provision guarantees that a member's monthly benefit allowance cannot be less than one-half the monthly salary of a newly confirmed police officer in the city or town from which the member retired. The escalator is funded through the premium insurance tax. HB 649 extends this escalator provision to members of the Municipal Police Officers' Retirement System and the local police pension plans retiring on or after July 1, 1975, and also funds this adjustment through the premium insurance tax. Representative Keedy said that the premium insurance tax fund is a healthy fund and can afford the kind of benefit that HB 649 would provide.

PROPOSERS

LARRY NACHTSHEIM, P.E.R.S., stated that they administer this fund and are in support of any program that would enhance the plan. He said that the committee should consider HB 45 which would do basically the same thing for this system. See EXHIBIT 4 of the minutes.

REPRESENTATIVE O'CONNELL, stated that she is in support of this bill and she said that the money in this fund should be used for the purpose it was originally intended for which is to fund the retirement systems.

OPPOSERS

There were no opposers present to testify on HB 649.

QUESTIONS BY THE COMMITTEE:

Mueller: Could you give me the dollar figures in relation to the money collected into the fund and what was used.

Keedy: In 1980, 6.4 million was granted from the taxes collected. Of that, 2.8 million was used to fund the system and 3.6 million transferred back into the general fund.

Representative Keedy closed the hearing on House Bill 649. He said that the committee should not let HB 45 have too much bearing on their consideration of this bill. HB 45 would draw on the premium tax fund for a variety of public employees. He said that the amount of money going into the general fund from the tax fund is increasing every year and some of it should be used for the original intent.

HOUSE BILL 588-SPONSOR, Representative Mueller, introduced this bill which increases the maximum service pension from \$100 a month to \$150 a month and the disability pension from \$75 a month to \$125 a month for volunteer firefighters who are members of fire department relief associations in first-, second-, and third-class cities and towns. A copy of his prepared testimony is attached and is EXHIBIT 2 of the minutes.

PROPOSERS

DAVE FISHER, Montana Volunteer Firemens' Assoc., stated that this bill is permissive legislation and benefits can only be paid if the funding is available.

ART KORN, Montana State Volunteer Firemens' Assoc., arose and stated support of this bill.

JIM TURCOTT, P.E.R.D., said that he does not oppose the bill but wanted to point out to the committee that presently he is not aware of any system that is paying the maximum benefits. Therefore, there may not be a real need for the increase. Also he pointed out that several people will receive pensions from both unincorporated and incorporated areas. If they received the maximum benefits under this bill they could conceivably get \$250 a month. This is a little out of line in comparison to the benefit of the average P.E.R.S. benefit of \$260 a month. See EXHIBIT 5.

OPPOSERS

There were no opposers present to testify on HB 588.

QUESTIONS BY THE COMMITTEE:

Spilker: How is the amount of money that goes to each city from the tax fund determined?

Korn: It is based on 1¹/₂% of the tax evaluation of the city.

Spilker: How do we determine whether a bill is referring to a unincorporated or incorporated city. This is very confusing.

Dussault: Mr. Korn, couldn't you draw us some kind of illustration that would show the relation between these associations?

Korn: We could probably do something like that.

Representative Mueller closed the hearing on House Bill 588. He said that we are talking about incorporated areas only in this bill.

HOUSE BILL 638-SPONSOR, Representative Menahan, introduced this bill which provides additional funding to the fire department relief associations from the insurance premium tax under certain circumstances. If in any given year, the total amount of service, disability, and survivorship benefits paid to firefighters exceed the total amount of the association's disability and pension fund, the state audatory will pay this difference from the premium tax.

PROPOSERS

AL SAMPSON, Montana Fire Chiefs Assoc., stated that this bill is just a guarantee that the fund will not go completely unfunded.

TERRY MEAGHER, State Auditors Office, stated that their could be a problem with the July 1 date. The money may already be put into the general fund by that time.

RAY BLEM, Montana State Firemens' Assoc., stated they support the concept of the bill.

JIM TURCOTT, P.E.R.D., stated support of the bill.

OPPOSERS

There were no opposers present to testify on HB 638.

QUESTIONS BY THE COMMITTEE:

Phillips: With all of these bills that take money from the insurance premium tax fund, we have not seen a fiscal note to show what the impact will be.

Spilker: Mr. Meagher, can you prepare a report on the premium tax fund that would show how long we have been collecting and also how the 2³/₄% was decided on in the first place?

Meagher: Yes, we can prepare a report.

Representative Menahan closed the hearing on House Bill 638.

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EXECUTIVE SESSION

HOUSE BILL 138-back to committee

HELD FOR AMENDMENTS

Detailed discussion on the amendments was held by the committee. Mr. Durkee and Mr. Strop from the Montana Tavern Assoc. were present at the executive session and offered suggestions to the committee. Mr. Strop said that the original intent of the sponsor, Representative Ellerd, had been misconstrued with the language in the last amendment (#6) which inserts "If a licensee extends the original boundaries of his premises, the 600 foot distance requirement must apply." He said the purpose of this bill was to do something for those owners who were already within the 600 foot distance. This bill's intent was to make it possible for them to remodel or build onto their buildings without being in violation. The amendments that the committee made only apply to those who are outside the 600 foot requirement and this is not the intent of the bill.

Representative Mueller said that the sub-committee was misinformed. He said he also wanted to do something for the owners who were established before the church was built but he was very concerned about the 600 foot distance requirement being taken out of the bill. He did not want an owner to be able to move the entrance closer than it already is to the church or school.

Detailed discussion followed.

Mr. Strop said that he and Mr. Durkee would try to work out some amendments that would do what the committee wanted to do with this bill. He would give them to the committee later.

Representative Sales said that Lois Menzies, staff researcher, could work with them on these amendments and try to come up with a solution for the committee.

HB 138 was passed for the day.

HOUSE BILLS 503 - 637

These two bills both deal with Vietnam veteran's being able to purchase service credits for the Teachers' Retirement System without cost. The committee voted on 2/10/81 to reconsider action taken on HB 503 (DO PASS) and consider both of these bills together.

EXECUTIVE SESSION (cont.)

Lois Menzies pointed out the differences in the two bills to the committee. Representative Moore's bill HB 503 requires that the person have been a Montana resident or a member of the T.R.S. before serving in the military. HB 637, Representative Andreason's bill, does not have these requirements.

The general feeling of the committee was to go with HB 637.

Representative Phillips moved that a 4 year limit be put in the bill. (for buying back credits) This proposed amendment was agreeable to the sponsor.

Representative Spilker said that she was not that concerned about the time period but was concerned that there was no funding provided in the bill.

A vote was taken on the motion and carried with 9 yes and 8 no. See roll call vote sheet.

Representative O'Connell made a motion that HB 637 DO PASS AS AMENDED. Following discussion, a vote was taken and failed with 8 yes and 9 no.

Representative O'Connell suggested that the limit could be 3 years.

Representative McBride said that the opposition is to funding mechanizim not the number of years. She suggested that the committee could pass the bill and that it could be referred to the appropriations committee.

Representative Spilker said that if the money is appropriated out of the general fund we would be have to appropriate the money every two years. The next legislature may not do this.

Representative Spilker moved that the specification for the number of years be taken out and the committee could draft a bill that would state the employer contributions would fund this.

Representative Briggs said that this would put the burden on the schools and they have not had a chance to voice their opinions on this matter. Discussion followed.

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EXECUTIVE SESSION (cont.)

There were several ideas suggested in connection with these bills.

Representative O'Connell said that the bill should be passed for the day. A vote was taken on the motion and carried.

Representative Sales reminded the committee that the bills are piling up in committee and we have to get them out by transmittal date.

A motion was made to adjourn at 11:15 a.m.

Respectfully submitted,



WALTER SALES, Vice-Chairman

Cathy Martin-Secretary

*The Big Sky Country*

MONTANA STATE HOUSE OF REPRESENTATIVES

Rep. Glenn H. Muelier
District 21
Box 334
Libby, MT 59923

Committees:
Fish & Game,
Natural Resources
State Administration

FEBRUARY 10, 1981

HOUSE BILL 588

THIS IS A BILL TO INCREASE MAXIMUM AMOUNT OF SERVICE AND DISABILITY PENSIONS THAT MAY BE PAID BY FIRE DEPARTMENTS RELIEF ASSOCIATIONS TO VOLUNTEER FIREFIGHTERS WITHIN INCORPORATED COMMUNITIES.

I WANT TO EMPHASIZE THIS LEGISLATION IS PERMISSIVE, NOT MANDATORY AND APPLIES ONLY TO VOLUNTEER FIREMEN WITHIN INCORPORATED CITIES.

MUCH OF THIS EXISTING LEGISLATION REFERS TO PAID FIREMEN. PAGE 2, LINES 16 AND 17 SHOW CHANGES IN PENSIONS FROM \$100 TO \$150 AND PAGE 4, LINES 12, 13 AND 14 SHOW CHANGES IN DISABILITY PENSIONS FROM \$75 TO \$125. THIS IS THE HEART OF THIS BILL.

FUNDING FOR THIS PROGRAM COMES FROM THE 2 3/4% PREMIUM TAX ON FIRE INSURANCE AND EACH CITY CAN ALSO LEVY 1-4 MILLS TO ADD TO THE FUNDING WHEN THE FUND IS LESS THAN 2% OF ALL TAXABLE VALUATION OF ALL TAXABLE PROPERTY IN THE CITY.

A LOCAL BOARD OF TRUSTEES (7) MANAGES THE FUND.

AT PRESENT IN LIBBY THE RETIRED FIREMEN RECEIVE \$75/MONTH SED ON WHAT THE ASSOCIATION CAN PAY.

THIRD CLASS CITIES AS WELL AS LARGE CITIES ARE EXPERIENCING THE RAPID GROWTH OF NEW BUILDINGS AND NEW HOMES, AND THIS INCREASES THE

WORK LOAD FOR THOSE VOLUNTEER FIREMEN. THE USE OF WOOD BURNING STOVES AND FIREPLACES ARE ALSO INCREASING THE NUMBER OF FIRE CALLS EVERY DAY BECAUSE OF THE ENERGY PROBLEM.

IT IS HARD TO GET RELIABLE PEOPLE TO JOIN A VOLUNTEER FIRE DEPARTMENT AS MOST VOLUNTEER FIREMEN ARE A SEPARATE SORT OF DEDICATED MEN, SO THE ONLY THING THEY HAVE GOING FOR THEM IS TO OFFER SOME SORT OF CONTRIBUTION FOR THEIR YEARS OF SERVICE, AS THEY GET NO OTHER COMPENSATION. EVEN IF AT THE PRESENT TIME A RELIEF ASSOCIATION CANNOT PAY THE MAXIMUM, THEY WILL BE LOOKING DOWN THE ROAD 20 YEARS FROM NOW AND IT IS VERY LIKELY THAT THE MAJORITY WILL BE ABLE TO DO SO, AND THIS IS WHAT THESE PRESENT VOLUNTEER FIREMEN ARE LOOKING FORWARD TO. WITH THE RATE OF INFLATION EVEN THAT \$150.00 WILL BE JUST A DROP IN THE BUCKET.

THERE ARE A LOT OF SMALL BUSINESSMEN IN THESE SMALL THIRD CLASS CITIES WHO HAVE NOTHING TO LOOK FORWARD TO BUT SOCIAL SECURITY AND A NUMBER OF THEM ARE DEDICATED FIREMEN. NOT EVERY MAN LIKES TO GET UP AT 2 OR 3 IN THE MORNING AND FIGHT FIRES, NOR DOES A SMALL BUSINESSMAN LIKE TO LEAVE HIS BUSINESS DURING STORE HOURS, BUT THERE ARE THOSE DEDICATED MEN DOING THIS NOW IN MOST OF THESE SMALL CITIES, AND THESE SAME DEDICATED VOLUNTEER FIREMEN EVEN RISK THEIR LIVES EVERY TIME THEY ANSWER AN ALARM, SO IN CLOSING, IF THOSE FIREMEN IN THIRD CLASS CITIES CAN AFFORD TO PAY MORE, THEN WE HOPE YOU WILL SUPPORT THIS BILL.

HOUSE BILL 674

Larry Nash
2/11/81

HOUSE BILL 674 IS DESIGNED TO CREATE A UNIFIED FIREFIGHTERS' RETIREMENT SYSTEM. WE SUPPORT THIS CONCEPT.

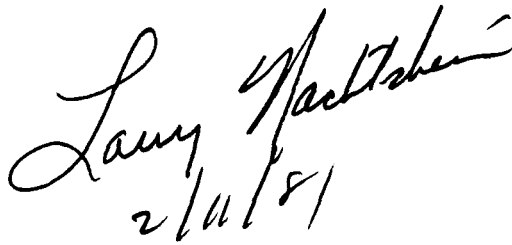
WE RECOMMEND THAT THE COMMITTEE GIVE A VERY CAREFUL REVIEW TO THE FOLLOWING SECTIONS IN ORDER TO FULLY UNDERSTAND THE TOTAL EFFECTS OF THIS BILL.

SECTIONS 9, 11, 15, 23, 34(3B), 36, 37(3B), 40(3B) AND 46.

FUNDING FOR THE CHANGES MADE IN THIS BILL IS FROM TWO SOURCES.

- (1) 1% INCREASE IN THE FIREMEN'S CONTRIBUTION RATE WHICH MAY PAY THE ADMINISTRATIVE EXPENSE; AND,
- (2) THE INSURANCE PREMIUM TAX FUND WHICH WILL BE REQUIRED TO PAY THE COST OF LIVING ADJUSTMENTS FOR FIREMEN WHO RETIRE AFTER JULY 1, 1973, THE AMOUNT THAT IS CURRENTLY PAID BY THE INDIVIDUAL CITIES.

HOUSE BILL 649


2/11/81

THIS BILL IS DESIGNED TO PROVIDE AN AUTOMATIC COST OF LIVING INCREASE BASED ON ANNUAL NEGOTIATED SALARIES FOR MEMBERS OF THE MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM AND LOCAL POLICE RETIREMENT FUND RETIREES.

AS THE ADMINISTRATOR OF THE MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM, I APPEAR PRIMARILY TO ANSWER QUESTIONS. AS THE COMMITTEE IS AWARE, THIS IS ONE OF THE RETIREMENT SYSTEMS INCLUDED IN THE COST OF LIVING PROVISIONS OF H.B. 45. THE COMMITTEE SHOULD MONITOR COST OF LIVING BILLS IN THE POLICE AREA IN ORDER TO BE CERTAIN THAT TWO COST OF LIVING BILLS ARE NOT PASSED.

THE FUNDING FOR THIS BILL IS PROVIDED FROM THE INSURANCE PREMIUM TAX FUND.

H.B. 588

J/M TURCOTTE
ASST. ADMIN
PERD 2/11/81

WE DO NOT OPPOSE THIS LEGISLATION BUT THERE ARE SEVERAL PROBLEMS THE COMMITTEE SHOULD BE AWARE OF:

1. IN THE STATE OF MONTANA THE VOLUNTEER FIREMEN ARE COVERED UNDER TWO TYPES OF PENSION PLANS. A PENSION PLAN IN THE INCORPORATED AREAS AND A PENSION PLAN FOR UNINCORPORATED AREAS. WHEN CHANGING BENEFIT AMOUNTS, ALL VOLUNTEERS SHOULD BE CONSIDERED IN THE BENEFIT CHANGES, OTHERWISE, A 'LEAP-FROG' EFFECT BEGINS TO EMERGE.

2. TO MY KNOWLEDGE, THERE ARE NO RELIEF ASSOCIATIONS IN THE STATE PAYING THE MAXIMUM OF \$100/MO. NOW ALLOWED. IF THE PRESENT MAXIMUM CANNOT BE PAID, WHY SHOULD IT BE INCREASED?

3. IN 1975, A PORTION OF THE UNINCORPORATED LAW WAS REPEALED. THE PART REPEALED STATED THAT GENERALLY A VOLUNTEER MUST NOT BE ELIGIBLE FOR BENEFITS UNDER ANY FIRE DEPARTMENT RELIEF ASSOCIATION IN ANY INCORPORATED AREA. THEREFORE, PRESENTLY, THERE ARE A NUMBER OF INCORPORATED FIRE COMPANIES THAT HAVE THE SAME INDIVIDUALS SERVING THE INCORPORATED AREA AS WELL AS THE UNINCORPORATED VOLUNTEER FIRE COMPANY. HENCE, WHEN AN INDIVIDUAL RETIRES, HE MAY RECEIVE A PENSION FROM THE CITY AND, ADDITIONALLY, A PENSION FROM THE INCORPORATED VOLUNTEER FIRE PLAN. IF THIS MAXIMUM BENEFIT PROVISION IS ALLOWED, IT WOULD BE POSSIBLE FOR A VOLUNTEER TO RECEIVE A PENSION FROM THE INCORPORATED AND A PENSION FROM THE UNINCORPORATED AREA OF \$250 PER MONTH. THE AVERAGE MONTHLY PENSION PAID, UNDER THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM, AS OF JUNE 30, 1980, WAS \$260 PER MONTH.

Approved by Committee
on State Administration

1 HOUSE BILL NO. 138

2 INTRODUCED BY ELLERD, BOYLAN

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION
5 16-3-306, MCA, PREVENTING THE LICENSING RELOCATION TO A
6 NONCONTIGUOUS SITE OF ANY BUSINESS SELLING ALCOHOL IN CLOSE
7 PROXIMITY TO A CHURCH OR SCHOOL AND APPLYING THE 600-FOOT
8 DISTANCE REQUIREMENT TO AN EXTENSION OF A LICENSEE'S
9 PREMISES."

10

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

12 Section 1. Section 16-3-306, MCA, is amended to read:

13 "16-3-306. Proximity to churches and schools
14 restricted. A No A retail licensee may not extend or
15 relocate his license may be issued pursuant to this code to
16 any business or enterprise whose licensee may not relocate
17 his premises to a noncontiguous site within 600 feet of
18 and on the same street as a building used exclusively as a
19 church, synagogue, or other place of worship or as a school
20 other than a commercially operated or postsecondary school.
21 This distance shall be measured in a straight line from the
22 center of the nearest entrance of the place of worship or
23 school to the nearest entrance of the licensee's premises.
24 IF A LICENSEE EXTENDS THE ORIGINAL BOUNDARIES OF HIS
25 PREMISES, THE 600-FOOT DISTANCE REQUIREMENT MUST APPLY. This

1 section is a limitation upon the department's licensing
2 authority. However, the department may renew a license for
3 any establishment located in violation of this section if
4 the establishment was either located on the site before the
5 place of worship or school opened or located in a bona fide
6 hotel, restaurant, or fraternal organization building at the
7 site since January 1, 1937."

-End-

Information 2 general fund monies
649

MONTANA INSURANCE DEPT.
FLOW CHART
APPLICABLE PREMIUM / PREMIUM TAX RATE /
LOCAL ASSISTANCE DISTRIBUTIONS TO FIRE & POLICE PENSIONS

2-13-81
TMD

TO: Representative Bobby Spilker
FROM: Terry Meagher

The following are applicable lines of insurance and total Montana insurance premiums written for the calendar year ended 12-31-79. This information must be taken by line, by company from approximately 500 annual financial statements by hand and totaled.

Lines of insurance enumerated pursuant to Sec. 19-11-512(6), MCA. The total of these amounts increases at an average of approximately 10% per year.	Fire insurance	\$ 11,893,431
	Allied lines	13,386,224
	Farm owners	4,953,870
	Home owners	29,321,908
	Commercial	35,325,546
	Ocean marine	252,370
	Inland marine	7,724,920
	Earthquake	22,269
	Auto liability	64,585,651
	Auto phys. damage	60,013,645
	Aircraft	2,428,529
	Glass	96,025

Burglary + theft	233,260
Boiler + machinery	689,252
Miscellaneous	1,477,309

TOTAL APPLICABLE MONT. PREM. WRITTEN \$232,465,469

TAX RATE PURSUANT TO SEC. 33-2-705, MCA X 2.75%

APPLICABLE PREMIUM TAX COLLECTED
ON 3-1-80 FOR THE CALENDAR YEAR

ENDED 12-31-79..... \$6,392,800

(forward to top of P. 2)

MONTANA INSURANCE DEPT.
FLOW CHART.

2-13-81

To: Rep. Bobby Spilker

P.2

APPLICABLE PREMIUM TAX COLLECTED \$8,392,800 (from P.1)

LESS: 1980 firemen's local assistance
distributions per Sec. 19-11-512, MCA.

COMPUTED AT:

<u>1st & 2nd Class Cities</u>	<u>3rd Class Cities</u>
*Total annual compensation	*Taxable valuation
x 10%	x 1 1/2 mills
<u>\$720,738</u>	<u>\$163,900</u>
+ = < 884,638 >	
(all warrants sent to cities)	

APPLICABLE PREMIUM TAX REMAINING \$5,508,162

LESS: 1980 volunteer firefighters contri-
bution to industrial accident board
per Sec. 19-12-301, MCA.

COMPUTED AT:

*Above prem. tax bal. remaining	\$5,508,162
x 5%	= < 275,408 >

APPLICABLE PREMIUM TAX REMAINING \$5,232,754

LESS: 1980 police reserve + local
assistance distribution.

COMPUTED AT:

<u>Municipal Police Officers</u>	<u>Other Police Depts.</u>
Per Sec. 19-9-702, MCA	Per Sec. 19-10-305, MCA
*Total annual compensation	*Taxable valuation
x 14%	x 1 1/2 mills
<u>\$890,312</u>	<u>\$162,480</u>
+ = < 1,052,792 >	
2 To PERS	2 Warrants to cities

APPLICABLE PREMIUM TAX REMAINING \$4,179,962 (fwd. to P.3)

MONTANA INSURANCE DEPT.
FLOW CHART

2-17-81

To: Rep. Bobby Spilker

P.3

APPLICABLE PREMIUM TAX REMAINING \$4,179,962 (from P.2)

LESS: 1980 supplemental police pension
adjustment contribution for
recipients retired prior to 7-1-75
per Sections 19-10-506 & 19-9-1007, MCA.

COMPUTED AT:

$\frac{1}{2}$ current salary of newly confirmed police officers

LESS: base year pension benefits

= # DIFFERENCE

x each individual recipient

= # TOTAL STATE CONTRIBUTION

\$535,099 To PERS

+ 21,323 To Cities = < 556,422 >

NOTE: Firemen receive a similar pension
adjustment contribution as the
above but it is funded by an addi-
tional tax rate levied on some of
the same lines (see P. 4).

LESS: Annual payment to PERS for 5
years to reimburse funds advanced
to implement the above supplemental
police contributions per Sec. 19-9-1007(4), MCA < 100,000 >

LESS: Charges for actuarial services to eval-
uate firemen's retirement in each odd
numbered year per Sec. 19-11-303, MCA < 6,000 >

REMAINING APPLICABLE PREMIUM TAX
COLLECTED TO BE REVERTED TO
THE GENERAL FUND, SEC. 19-11-513, MCA. \$3,517,540

MONTANA INSURANCE DEPT
FLOW CHART

2-17-81

~~1/11~~

To: Rep. Bobby Spilker

P. 4

In addition to the foregoing, two more tax rates are imposed upon the "pure" fire portion of insurance premiums written in Montana.

Pursuant to Sec. 50-3-109, MCA, a tax of $\frac{3}{4}$ of 1% on fire insurance premiums is collected as a fire marshall tax. The State Auditor reverts all of this to the general fund. The fire marshall then must go through the budget appropriation process to get a portion of the amount collected for the expense of his office. It is my understanding that his office never gets the full amount collected for that purpose. \$342,138 was collected by this tax rate for the fiscal year ended 6-30-80.

Pursuant to Sec. 19-11-606, MCA, a tax of $1\frac{1}{2}$ % on fire insurance premiums is collected to be used for State supplemental firemen's pension adjustment contributions for recipients retired prior to 7-1-73. This revenue is deposited into Earmarked Revenue Account # 02213 and the unused balance is never reverted to the general fund. This tax rate is supposed to decrease as the need decreases which has not yet happened. \$684,276 was collected for the fiscal year ended 6-30-80. \$612,011 was distributed to various cities for the 1980 State contribution.

COMPUTED AT:

$\frac{1}{2}$ current salary of a newly confirmed fireman

LESS: base year pension benefits

= \$ DIFFERENCE

x each individual recipient

= \$ TOTAL STATE CONTRIBUTION

The balance in this fund as of 1-30-81 was \$ 417,046.

MONTANA INSURANCE DEPT
FLOW CHART

2-17-81

Sh

To: Rep. Bobby Spilker

P.5

The aggregate total of these three tax rates at 5% makes Montana approximately the 3rd or 4th highest in the nation. If you are interested, we have suggestions regarding the transfer of the entire funds involved to other offices which may be better equipped to handle, manage, and control such retirement contributions and benefits.

VISITORS' REGISTER

HOUSE

COMMITTEE

Date _____

2/11/81

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE

COMMITTEE

Date _____

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE

COMMITTEE

Date _____

2/11/87

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.