

HOUSE BUSINESS AND INDUSTRY COMMITTEE

Chairman, Rep. Jerry Metcalf, called the Business & Industry Committee to order on March 11, 1983, in Room 420 of the Capitol Building, Helena, Montana, at 9:00 a.m. All members were present.

SENATE BILL 382

SEN. STIMATZ, District 43, sponsor, opened by saying by law if anyone is a member of a group health insurance plan and his employment is terminated, the insurance company must offer him the option to convert with no medical requirement. What has been happening is people make the conversion and then their premiums go steadily up. One individual's policy went from \$55.10 to \$302.50 per month. Another lady's went from \$29.15 to \$115.40. They pose a greater risk for the company but by increasing their premiums the company shucks the people off the roles. Some of these people have carried this insurance for many years. The costs should be spread over all the people being covered. The bill limits to 150% of the former group rate the premium that may be charged for an individual policy when a person converts from a group plan. They must be given at least a 45 day prior notice of any rate increase and the premium rate for an individual policy may not be increased during the first six months of coverage after conversion.

PROPOSERS: none

OPPOSERS:

ALAN CAIN, Montana Physician's Service: The problem this bill addresses has become major because of the large number of people unemployed recently. This does not apply to commercial insurance companies which provide 50% of the health coverage in the state of Montana. This would be addressed to Blue Cross and Blue Shield. Adverse selection is the problem. Any time you get into a situation where you don't get a spread of risks you lose money. All companies have to offer conversion policies without evidence of good health. Because the young and healthy people don't take the policy, we get left with those with health problems. We lost \$1 million last year on the conversion plan. We charge about 50% of what we actually pay out on the plan. If you begin to limit the amount that is charged, you are forcing the other people who carry insurance to subsidize the unhealthy ones. Commercial insurance companies should be faced with the same problems. There is a problem administering this. I have an amendment that Sen. Stimatz has agreed to. (Exhibit #1) With this we would not have such a wide variety of rates in the plan. We would not have as much opposition to this bill if this amendment is adopted.

TOM HARRISON, Blue Cross: During the last three years of unemployment, Blue Cross has lost almost all of its reserves. There are administrative problems with this bill that will cost money. The amendment takes much of the administrative nightmare out of the bill by eliminating as many as 2,400 separate groups and pinning that 150% cap to one group. The medical costs in Montana are so high and we don't have any ability to control

the rising costs. We want our subscribers to get the best possible care they can.

SEN. STIMATZ, in closing, said he agrees with the written amendment and urges the committee to adopt it. He said this is the first step but it gives a little additional help to someone who is layed off.

QUESTIONS:

REP. SCHULTZ: If a person goes from a group plan with good benefits and goes to a lower plan they still are required to take a medical examination. Randy Cline, Blue Cross: If someone goes without coverage initially and they subsequently decide they want health coverage, the normal situation is that they have some pending medical care and in order to spread the risk, we need to have that premium from the time that person was eligible for coverage. Otherwise, it results in higher premiums for the entire group because of the adverse selection that takes place.

REP. FABREGA: Sen. Stimatz, why did you limit this bill and exclude commercial? Sen. Stimatz: The commercial people are taken care of in another section of the law. It could not have been done neatly in one bill. They do need some of the same treatment.

REP. METCALF: Under subsection 3 when the policy is converted at the new rate of 150% of the old policy, the Senate put the amendment that there should not be increases for 6 months. That new rate should not go into effect for 6 months or no additional rate increases during the 6 months? Sen. Stimatz: No additional increases for the first 6 months. Tom Harrison: The 150% would be the immediate premium and no additional increase for 6 months. The individuals who are in the conversion group are not raised on a selective basis. You might get another raise but it would be because the entire group went up.

PAUL VERDON: You talk about 150% raise - you only mean 50%? Tom Harrison: Correct. 100% of the existing premium and a 50% increase.

REP. METCALF: Who will carry this bill on the House floor? Rep. Pavlovich volunteered.

SENATE BILL 403

SEN. NORMAN, District 47, sponsor, opened by saying the Health Department is charged with inspecting all food establishments, hotels, motels, rooming houses, tourist campgrounds, and trailer courts in the state. They depend on local health departments to do most of these inspections. They are reimbursed from the license fee the state receives. The fee has not been raised since 1976 and this will allow it to go from \$20 to \$30 per establishment.

PROPONENTS:

VERN STOLIN, Bureau Chief, Dept. of Health: I oversee inspections through the 35 local health entities. In my budget there is an appropriation of \$119,418 for the purpose of reimbursing local health departments for their participation in the inspection process. There are 7,500 licenses issued every year. We prorate the amount to the health units on how many establishments there are in their area. The \$10 increase on each license is much easier to administer on the state level. There will be amendments introduced by local health departments that will specify the amount of money coming in that will go back to them. They are not necessarily getting out what they put into the program.

JOAN MILES, Lewis & Clark County Health Dept.: We have approximately 360 licensed establishments that need to be inspected at least once a year. We have three inspectors and it takes 25% of our time. We spend \$43 to \$44 per licensed establishment. Right now, the license fee is \$20 and we get back \$11. We support the \$10 increase. It still won't pay for itself but we will receive \$25 instead of \$11. The amendments we offer specifies that 85% of the fees collected be returned to the counties. (Exhibit #2) The Title should be amended too.

OPPONENTS: none

QUESTIONS:

REP. LYBECK: Counties have a hard time even with the \$25 they get back. If it costs more to inspect, why shouldn't we get the full cost back? Shouldn't we get the full \$45?

Ms. Miles: \$45 is our county. Mr. Stole: There is a great variation in what they estimate their costs at - some are as high as \$130, some \$90.

REP. KADAS: This fee is the license fee not the inspection fee? Mr. Stole: It's to cover the costs of inspections, even if we go in 12 times.

REP. METCALF: Is someone carrying this bill to the House? Rep. Hansen volunteered.

SENATE BILL 325

SEN. MANNING, District 18, sponsor, opened by saying this bill revises provisions of the Montana insurance law to include funds invested in certificates of deposit of Montana financial institutions as "Montana Securities" to allow an insurer who has half of his paid-in stock invested in Montana securities to deduct from premium tax Montana taxes already paid during the same year. With this bill, companies would invest their money in Montana and create more jobs within the state. (Exhibit #3)

PROPOSERS:

NORMA SEIFFERT, Chief Deputy, Montana Insurance Department:
We have thoroughly inspected the bill and the amendments and
feel it is entirely acceptable.

OPPOSERS: none

QUESTIONS:

REP. SCHULTZ: If it's only \$9,500, how are you going to get
more jobs out of it? Rep. Metcalf: Right now \$400,000 is
invested in a Minnesota firm and it would be invested in
Montana. Your fiscal note will explain it.

REP. METCALF: Who will carry this bill to the House?
Rep. Fabrega volunteered.

EXECUTIVE SESSION

SENATE BILL 325

REP. FABREGA: I move SENATE BILL 325 BE CONCURRED IN.
QUESTION: The motion carried unanimously.

SENATE BILL 382

REP. PAVLOVICH: I move the amendment.
QUESTION: Motion carried unanimously.
REP. ELLISON: I move SENATE BILL 382 BE CONCURRED IN AS
AMENDED.
QUESTION: Motion carried unanimously.

SENATE BILL 403

REP. SCHULTZ: I am against a flat fee because I think the
ones that cause the most problems should pay the most.
REP. HANSEN: I am on the Board of Sanitation. We tried
to figure out some kind of individual inspection fee. I
think we will probably come back with a bill that will be
so much for restaurants and so much for campgrounds.
Missoula's cost \$65 and they need the increase.
REP. METCALF: There is not a fee in this state that is
based on actual costs.
REP. ELLISON: I move the amendments.
QUESTION: Motion carried unanimously.
REP. FAGG: I move SENATE BILL 403 BE CONCURRED IN AS AMENDED.
QUESTION: The motion carried with Rep. Schultz voting no.

SENATE BILL 392

REP. FABREGA: I move SENATE BILL 392 BE CONCURRED IN.
QUESTION: Motion carried with Rep. Schultz & Ellison voting no.

SENATE BILL 249

REP. FABREGA: It bothers me that the Dept. of Commerce should publish a standard rate when they don't have a publication that accurately reflects it. I would be much more comfortable saying New York prime. Everyone can read the Wall Street Journal. These are not regulated lenders...this is any private party.

Mr. Alke, Dept. of Commerce: They would be interested in the Federal Treasury rate, not the prime rate in New York. The Wall Street publishes every day the all-money rate.


REP. FABREGA: I move we reconsider our action on SB 249 because I don't think the Department should be bothered with these things. We can take the department out of it altogether.

QUESTION: The motion carried unanimously.

REP. METCALF: Who will enforce this? Mr. Alke: The department doesn't enforce private parties.

REP. METCALF: Paul Verdon and Rep. Fabrega will work out the amendments for the committee's consideration.

The hearing adjourned at 10:00 a.m.



REP. JERRY METCALF, CHAIRMAN



Linda Palmer, Secretary

STANDING COMMITTEE REPORT

MARCH 11

83

19.....

MR. **SPEAKER:**

We, your committee on **BUSINESS & INDUSTRY**

having had under consideration **SENATE** Bill No. **325**

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color

A BILL FOR AN ACT ENTITLED: "AN ACT TO INCLUDE FUNDS INVESTED IN
CERTIFICATES OF DEPOSIT IN MONTANA FINANCIAL INSTITUTIONS IN THE
DEFINITION OF "MONTANA SECURITIES" FOR PURPOSES OF COMPUTING THE
PREMIUM TAX ON INSURERS; AMENDING SECTION 33-2-705, MCA."

Respectfully report as follows: That **SENATE** Bill No. **325**

UNPASS BE CONCURRED IN

STANDING COMMITTEE REPORT

MARCH 11

83

19

MR. SPEAKER:

We, your committee on BUSINESS & INDUSTRY

having had under consideration SENATE Bill No. 382

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color

A BILL FOR AN ACT ENTITLED: "AN ACT LIMITING THE AMOUNT A HEALTH SERVICE CORPORATION MAY CHARGE FOR A POLICY CONVERTED FROM A GROUP PLAN; REQUIRING 60 45 DAYS NOTICE OF ANY RATE INCREASE BY A HEALTH SERVICE CORPORATION; AMENDING SECTION 33-30-1007, MCA."

Respectfully report as follows: That SENATE Bill No. 382

BE AMENDED AS FOLLOWS:

1. Page 2, line 14

Strike: lines 14 and 15 through "PLAN" on line 16

Insert: "the insurer's highest group rate for a policy with the same benefits as the conversion policy"

AND AS AMENDED

DOKEASE BE CONCURRED IN

STANDING COMMITTEE REPORT

Page 1 of 3

MARCH 11

19 83

MR. **SPEAKER:**

BUSINESS & INDUSTRY

We, your committee on

SENATE

403

having had under consideration Bill No.

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color

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE-THAT-THE
DEPARTMENT-OF-HEALTH-AND-ENVIRONMENTAL-SCIENCES-MAY-BY-RULE
ESTABLISH THE STATE LICENSE FEES FOR FOOD ESTABLISHMENTS, HOTELS,
MOTELS, AND ROOMING HOUSES, TOURIST CAMPGROUNDS, AND TRAILER
COURTS; AMENDING SECTIONS 50-50-205, 50-51-204, AND 50-52-202,
MCA."

SENATE

403

Respectfully report as follows: That..... Bill No.

BE AMENDED AS FOLLOWS:

~~XXXXXXXXXXXX~~

XXXXXX
DO PASS

~~XXXXXXXXXXXX~~

B403

MARCH 11

19 33

1. Title, line 8

Following: "CODES,"

Insert: "PROVIDING FOR A LOCAL BOARD INSPECTION FUND, ACCOUNT WITHIN THE EARMARKED REVENUE FUND,"

Following: "50-50-205,"

Insert: "50-50-305,"

Following: "50-51-204"

Strike: "AND"

Insert: "50-51-303,"

2. Title, line 9

Following: "50-52-202,"

Insert: "AND 50-52-302,"

3. Page 2, line 2

Following: "deposit:"

Strike: "receipts"

Insert: "85% of the fees collected in the earmarked revenue fund to the credit of the local board inspection fund account created by [section 4] and the balance of the fees"

4. Page 2, lines 8 and 9

Strike: line 8 in its entirety through "of" on line 9

Insert: "The department shall deposit 85% of the fees collected in the earmarked revenue fund to the credit of the local board inspection fund account created by [section 4] and the balance of the fees in"

5. Page 2, line 14

Strike: "Fees collected by the"

Insert: "The"

Following: "shall"

Strike: "be"

6. Page 2, line 15

Strike: "deposited"

Insert: "deposit 85% of the fees collected in the earmarked revenue fund to the credit of the local board inspection fund account created by [section 4] and the balance of the fees"

7. Page 2

Following: line 15

Insert: "NEW SECTION. Section 4. Local board inspection fund established. There is within the earmarked revenue fund a local board inspection fund account."

Section 5. Section 50-50-305, MCA, is amended to read:

"50-50-305. Department to pay local board for inspections. (1) Before June 30 of each year, the department shall pay to a local board of health, as established under 50-2-104, 50-2-106, or 50-2-107, an amount from any general fund appropriation to the department the local board inspection fund account created by [section 4] ~~which is for the purpose of inspecting establishments licensed under this chapter,~~

PR

which is for the purpose of inspecting establishments licensed under this chapter; provided, however, that there is a functioning local board of health and that the local board of health, local health officers, and sanitarians assist in the enforcement of the provisions of this chapter and the rules adopted under it.

(2) The funds received by the local board of health shall be deposited with the appropriate local fiscal authority and shall be in addition to the funds appropriated under 50-2-108 through 50-2-114."

Section 6. Section 50-51-303, MCA, is amended to read:

"50-51-303. Department to pay local board for inspections. (1) Before June 30 of each year, the department shall pay to a local board of health, as established under 50-2-104, 50-2-106, or 50-2-107, an amount from ~~any general fund appropriation to the department~~ the local board inspection fund created by [section 4] which is for the purpose of inspecting establishments licensed under this chapter; provided, however, that there is a functioning local board of health and the local board of health, local health officers, and sanitarians assist in the enforcement of the provisions of this chapter and the rules adopted under it.

(2) The funds received by the local board of health shall be deposited with the appropriate local fiscal authority and shall be in addition to the funds appropriated under 50-2-108 through 50-2-114."

Section 7. Section 50-52-302, MCA, is amended to read:

"50-52-302. Department to pay local board for inspection.

(1) Before June 30 of each year, the department shall pay to a local board of health, as established under 50-2-104, 50-2-106, or 50-2-107, an amount from ~~any general fund appropriation to the department~~ the local board inspection fund created by [section 4] which is for the purpose of inspecting establishments licensed under this chapter; provided, however, that there is a functioning local board of health and that the local board of health, local health officers, and sanitarians assist in the enforcement of the provisions of this chapter and the rules adopted under it.

(2) The funds received by the local board of health shall be deposited with the appropriate local fiscal authority and shall be in addition to the funds appropriated under 50-2-108 through 50-2-114."

NEW SECTION. Section 8. Codification instruction. Section 4 is intended to be codified as an integral part of Title 50, Chapter 2."

STANDING COMMITTEE REPORT

MARCH 11 19 53

SPEAKER:

MR.

BUSINESS & INDUSTRY

We, your committee on

SENATE

having had under consideration Bill No. 392

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A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE AND CLARIFY THE LICENSING LAWS FOR CERTIFIED PUBLIC ACCOUNTANTS AND LICENSED PUBLIC ACCOUNTANTS; TO BROADEN THE BOARD OF ACCOUNTANTS MANDATORY RULEMAKING AUTHORITY; TO ALLOW THE BOARD TO REQUIRE ACCOUNTING EXPERIENCE AS A PREREQUISITE TO RECEIVING A PERMIT; GRANTING THE BOARD AUTHORITY TO ASSESS INVESTIGATIVE COSTS; PROVIDING FOR EXCEPTIONS TO PRIVILEGED COMMUNICATIONS; AND PROVIDING A PENALTY; AMENDING SECTIONS 37-50-102, 37-50-201, 37-50-203, 37-50-301, THROUGH 37-50-303, 37-50-305, 37-50-308, 37-50-311, 37-50-312, 37-50-314, 37-50-316, 37-50-321, 37-50-322, 37-50-333 THROUGH 37-50-335, 37-50-342, AND 37-50-402, MCA."

SENATE

Respectfully report as follows: That Bill No. 392

~~XXXXXX~~ BE CONCURRED IN

AMENDMENTS TO SB # 382

Page 2, line 14

Strike all of lines 14, 15 and 16.

Insert:

"the insurer's highest group rate for a policy with
the same benefits as the conversion policy."

PROPOSED AMENDMENTS TO SENATE BILL NO. 403:

1. Title, line 9.

Following: "MCA"

Insert: "; AND PROVIDING FOR AN ACCOUNT WITHIN THE EARMARKED
REVENUE FUND"

2. Page 2, line 2.

Following: "deposit"

Strike: "receipts"

Insert: "85% of the fees collected in the earmarked revenue fund
to the credit of the local board inspection fund account
created by [section 4], and the balance of the fees"

3. Page 2, lines 8 and 9.

Strike: line 8 in its entirety through "of" on line 9

Insert: "It shall deposit 85% of the fees collected in the earmarked
revenue fund to the credit of the local board inspection fund
account created by [section 4], and the balance of the fees in"

4. Page 2, line 14.

Strike: "Fees collected by the"

Insert: "The"

Following: "shall"

Strike: "be"

5. Page 2, line 15.

Strike: "deposited"

Insert: "85% of the fees collected in the earmarked revenue fund to
the credit of the local board inspection fund account created
by [section 4], and the balance of the fees"

6. Page 2.

Following: line 15

Insert: "NEW SECTION. Section 4. Account established. There is
within the earmarked revenue fund a local board inspection fund
account.

Section 5. Section 50-50-305, MCA, is amended to read:

'50-50-305. Department to pay local board for inspections.

(1) Before June 30 of each year, the department shall pay to
a local board of health, as established under 50-2-104, 50-2-106,
or 50-2-107, an amount from ~~any-general-fund-appropriation-to~~
~~the-department~~ the local board inspection fund account created
by [section 4] which is for the purpose of inspecting estab-
lishments licensed under this chapter; provided, however, that
there is a functioning local board of health and that the
local board of health, local health officers, and sanitarians
assist in the enforcement of the provisions of this chapter
and the rules adopted under it.

(2) The funds received by the local board of health shall
be deposited with the appropriate local fiscal authority and
shall be in addition to the funds appropriated under 50-2-108
through 50-2-114.'

Section 6. Section 50-51-303, MCA, is amended to read:

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(2) The funds received by the local board of health shall be deposited with the appropriate local fiscal authority and shall be in addition to the funds appropriated under 50-2-108 through 50-2-114.'

Section 7. Section 50-52-302, MCA, is amended to read:

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(1) Before June 30 of each year, the department shall pay to a local board of health, as established under 50-2-104, 50-2-106, or 50-2-107, an amount from ~~any-general-fund-appropriation-to-the-department~~ the local board inspection fund created by [section 4] which is for the purpose of inspecting establishments licensed under this chapter; provided, however, that there is a functioning local board of health and that the local board of health, local health officers, and sanitarians assist in the enforcement of the provisions of this chapter and the rules adopted under it.

(2) The funds received by the local board of health shall be deposited with the appropriate local fiscal authority and shall be in addition to the funds appropriated under 50-2-108 through 50-2-114.'"

Bus. & Ind.

COMMITTEE

SB 403

Date 3-11-83

SPONSOR

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

HOUSE Bus. & Ind. COMMITTEE

BILL SB 382

Date 3-11-83

SPONSOR _____

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Bus + Ind.

COMMITTEE

SV 325

3-11-83

SPONSOR

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.



Exhibit #3



STATE OF MONTANA

OFFICE OF
E. V. "SONNY" OMHOLT

STATE AUDITOR
COMMISSIONER OF INSURANCE
SECURITIES COMMISSIONER
CENTRAL PAYROLL SYSTEM

HELENA, MONTANA 59604

February 15, 1983

TO: SENATOR DICK MANNING, District 18

FROM: TERRY MEAGHER

RE: SB. 325 - to expand the definition of "MONTANA SECURITIES"
by amending Sec. 33-2-705(3-b), MCA

This memo is in response to your request for further information on the effect of this legislation.

Currently the definition of "Montana Securities" includes only the following:

1. General obligations of the State of Montana.
2. General obligations of Montana political subdivisions.
3. Mortgage loans secured by a first lien upon real estate located in MT.
4. Real estate located in Montana owned by the insurer.

On p.4, lines 12 through 15, SB 325 proposes to add one additional item to the above four items currently defined, as follows:

5. Certificates of deposit invested in a bank or building and loan association located in Montana and whose deposits are insured by an agency of the United States.

This definition of "Montana Securities" is tied to the payment of premium taxes in the Insurance Code. Section 33-2-705, MCA provides for two alternative methods of calculating premium taxes due from insurance companies. Both methods include a reference to "Montana Securities". Domestic insurers (one incorporated under the laws of Montana) may choose either method that may be more beneficial and foreign insurers (one incorporated under the laws of another state) are subject only to Sec. 33-2-705 (2-b-ii), MCA.

The first method (only available to domestics) provides for a decreasing premium tax rate as the percentage of total investment in "Montana Securities" increases.

The second method provides that if an insurer has an amount not less than 50% of its paid-in-capital invested in "Montana Securities" then it is allowed to deduct (as a tax credit) whatever tax it may have already paid to the State of Montana and its political subdivisions from the premium tax otherwise due for that year. The only other type of tax that an insurer is subject to for this purpose is the tax on real and tangible personal property located in this state.

It seems that the underlying reasoning behind all of the above law as it currently stands is to encourage insurers to invest their funds within Montana or to make funds available for Montana residents to invest therein by giving them a tax break incentive. It would seem that to include certificates of deposit issued by financial institutions located within Montana would be consistent with the prior reasoning. This would help create a healthier climate for insurers to operate which in turn improves Montana's economy by creating jobs, and increasing the funds available for investments in Montana Securities. Encouraging the insurance industry may be more desirable than others because it doesn't pollute or cause other environmental problems.

In my opinion, the proposed legislation would only decrease annual general fund revenue collections by approximately \$9,500. After reviewing last year's tax records, SB 325 should only affect one company which has to be a domestic insurer. They currently are so small that it takes a major portion of their assets to meet the custodial deposit requirements in another section of the Insurance Code. Those requirements are much more conservative regarding types of securities eligible for deposit. These include cash or certificates of deposit and U.S. or State bonds. It does not include mortgages or real estate. If the definition of "Montana Securities" was expanded to include "Montana Certificates of Deposit," then this small domestic could meet the eligibility requirements of both the deposit section and the tax section to allow them at least some of the tax break.

There are eight domestics in Montana. The two largest pay no premium tax due to the tax credit offset provision. The domestic that could be affected by S.B. 325 now pays the largest amount of premium tax (\$51,959 for 1981) of any domestic. They currently have \$400,000 in C.D.'s on deposit with the Insurance Department. If these were eligible under the definition of "Montana Securities", this company's tax rate would be 2½% instead of 2-3/4%. That ½ of 1% difference times \$1,889,420 taxable premium equals the \$9,447 reduction in annual general fund revenue collections.

The tax treatment used by all eight domestic insurers is as follows:

- 5 company - tax credit offset provision
- 1 company - reduced tax rate provision
- 1 company - reinsures only and not taxable
- 1 company - not eligible for any tax incentive
(this is the company used in the above
example that would benefit from SB. 325 and
now pays \$51,959 per year at the full 2-3/4% rate).

Montana Dept. of Insurance
Analysis of Premium Tax Paid By Domestic
For The Year Ended 12-31-81

2-15-83

~~2-15-83~~

	Taxable Premium Written	Tax Method	TAX DUE <CREDIT ALLOWED>	Tax PAID
LOMIC Gt Wstr.	1,233,869 288,810	Tax Credit. Reduc. Rate @ 2 1/4	33,931 < 34,625 >	- 0 - 6,498
Gla. Gen.	3,650,739	Tax Credit	100,395 < 133,716 >	- 0 -
Intermtn.	3,738,031	Tax Credit	102,796 < 125,781 >	- 0 -
Capri	- 0 -			- 0 -
Farm Union Mut.	1,311,773	Tax Credit	36,074 < 10,524 >	25,550
Mtn. States	1,889,420	Not eligible	51,959	51,959
1st Mt. Title	508,083	Tax Credit	13,972 < 9,073 >	4,899

STATE OF MONTANA

REQUEST NO. 293-83

FISCAL NOTE

Form BD-15

In compliance with a written request received 1 Feb, 19 83, there is hereby submitted a Fiscal Note for S. B. 325 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

Senate Bill 325 revises the definition of "Montana Securities" to include funds invested in certificates of deposits in Montana financial institutions for the purposes of computing the premium tax on insurers.

ASSUMPTIONS:

1. Assume that 1 domestic insurer would move its \$400,000 certificate from Minnesota to Montana.
2. Assume that no foreign insurers would make any move of deposits.

FISCAL IMPACT:

	<u>FY 84</u>	<u>FY 85</u>
General Fund	<u>(9,500)</u>	<u>(9,500)</u>
Net Decrease in Revenue	<u>\$9,500</u>	<u>\$9,500</u>

COMMENTS:

The differential could increase slightly but would not cause a net smaller income in ensuing years.

Passage of this act should have a beneficial effect on the home area of the insurer.

BUDGET DIRECTOR:

Office of Budget and Program Planning

Date: _____

FISCAL NOTE: WORKSHEET

AUTHORITY: Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

Completed worksheets are due in the Office of Budget & Program Planning on or before 2-23-8

TO: Full Circle D/5

Agency or Unit

A Fiscal Note estimate and statement are requested for:

S.B. 505

Amended S.B.

Amended H.8.

Date of Amendment

S.J.R.

H. J. R.

1. Estimated Effect on Revenue and/or Expenditures	Fiscal Year 1982-83		Fiscal Year 1983-84		Fiscal Year 1984-85	
	Estimated Amount Under Current Law	Estimated Amount Under Proposed Law	Estimated Increase (Decrease)	Estimated Amount Under Current Law	Estimated Amount Under Proposed Law	Estimated Increase (Decrease)
A. Effect on Revenue By Source: (List in Detail) Premium Tax	17,600,000	17,590,500	(9,500)	18,710,000	18,605,000	(9,500)
TOTAL REVENUE						
B. Effect on Expenditures by Category:						
Personal Services						
Operating Expenses						
Capital Outlay						
Local Assistance, Grants						
Benefits & Claims						
TOTAL EXPENDITURES						
NET EFFECT (A less B)	17,600,000	17,590,500	(9,500)	18,710,000	18,605,000	(9,500)
C. Fund Information:						
General Fund	✓	✓	✓	✓	✓	✓
Other (describe)						

FISCAL NOTE WORKSHEET

II. ASSUMPTIONS USED IN OBTAINING ESTIMATES: (Please list clearly and in detail; use extra sheets if necessary)

List assumptions made during preparation of the fiscal note. If certain costs associated with the proposed legislation can be absorbed without additional funds, indicate this as an assumption. If no dollar estimates have been presented, list reasons in this space.

1 Domestic Insurer would move \$400,000 from Minn. to a Mont Bank C.D.

We would not expect any foreign insurers would make use of this amendment. Other domestic insurers of

III. DERIVATION OF ESTIMATES:

Show basic calculations or provide a brief description of the techniques used to obtain estimates; also, cite sources of basic data used for projections.

Above insurer presently pays $2\frac{3}{4}\%$ of net premiums of \$1,900,000 tax = \$52,250.

At present its' paid in capital invested in Montana securities is less than 25% but adding the above C.D. would raise its investment in Mont Securities above 25% which would reduce its Premium tax $\frac{1}{2}\%$ to $2\frac{1}{4}\%$ of 1,900,000 = \$42,750

Annual Reduced Tax income \$ 9500 +

FISCAL NOTE WORKSHEET

(Office of Budget and Program Planning Use Only)

IV. AFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

Provide an estimate of the local impact.

Moving the C.D. from Minnesota to Montana should be a benefit to the home office county by adding to bank assets and making increasing loanable funds in the community.

V. LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Use this space to describe any potentially significant effects the proposed legislation might have on expenditures and/or revenues for fiscal years subsequent to FY 1983; give quantitative estimates whenever possible.

As amount of premiums written increased the reduction of the premium tax increase would be slowed by $\frac{1}{2}\%$ or \$500 per 100,000 premium.

VI. TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

Explain.

Agency Representative who Prepared Estimates:

(Name)

(Title)

(Date)

(Phone No)

Received _____

Analyzed by _____

Fiscal Note by _____

Date _____