

MINUTES

MONTANA SENATE 51st LEGISLATURE - SPECIAL SESSION

COMMITTEE ON LABOR AND EMPLOYMENT

Call to Order: By Chairman Gary Aklestad, on July 11, 1989,
at 4:10 p.m., Room 331, Capitol

ROLL CALL

Members Present: Senator Tom Keating, Senator Sam Hofman,
Senator J. D. Lynch, Senator Gerry Devlin,
Senator Bob Pipinich, Senator Dennis
Nathe, Senator Richard Manning, Senator
Chet Blaylock, Senator Gary Aklestad

Members Excused: None

Members Absent: None

Staff Present: Tom Gomez

Announcements/Discussion: **HB 62**

Chairman Aklestad reminded the committee that they discussed HB62, which establishes a joint select committee to study workers compensation, yesterday, that they had a couple of votes which were tie votes, but that one vote did pass, and the bill was amended on page 6, line 15, to provide that, instead of coming out of the general fund, the money will come from the workers compensation tax account, which is actually premiums.

There was general discussion, and Senator Keating pointed out that they just accelerated the tax payments on corporations, and put \$20 million into it. Senator Lynch asked if that bill was tabled, and Chairman Aklestad responded no, that it was passed on the floor, today. Senator Lynch asked if the \$20 million will come out of the general fund, and Senator Blaylock responded no, but then indicated it will come out of the general fund, but there is an acceleration on just the corporations in HB56 which will come in slower, so they will take the \$20 million, immediately, out of the general fund, which will be invested by the Board of Investments for workers compensation, and then, as the money comes in, it will replace the money taken out of the general fund.

Chairman Aklestad reported to the committee that the only thing the amendment did was change where the funding is coming from, and did not change the monetary amount, that it did not

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deal with the monetary amount, it just deals with the language as far as where the money is coming from. Senator Lynch asked if that is already in there, and Chairman Aklestad responded that it is already in the bill now, adding that there was a motion to table HB62, which passed.

Motion: Senator Lynch offered a motion that the committee take HB62 from the table.

Vote: Motion that the committee take HB62 from the table passed unanimously.

Senator Keating referred to the second hand-out of the materials distributed to the committee, a copy of which is attached as Exhibit 1, and indicated that it is a proposed amendment to provide for an independent consultant to audit the information procedures.

Motion: Senator Keating offered a motion that the amendment to HB62 which provides for an independent consultant to audit the information procedures be adopted.

Senator Keating then explained that the amendment provides for an independent auditor or audit company to review the information and procedures, in other words, to take a look at the computer data which workers compensation has been gathering to send to the actuary. He indicated that, if they take the same data and give it to another actuary, they will get the same results they got from the first actuary, pointing out that what is in question is the data, the information and procedures which are coming out of the computer. He reported that, a couple of years ago, they had a legislative audit of workers compensation, and there were quite a few recommendations regarding how they were handling their data and putting it into the computer, and how they were processing everything. He added that they did not conform to most of those recommendations and, this time, they came to the subcommittee on appropriations and wanted \$3 or \$4 million to go back and repair their computer, which they said was not working. He noted that they finally ended up with a couple of million dollars for computer work to fix whatever was wrong with their computer system in workers compensation.

Senator Keating indicated that there is justification to suspect that the data which has been going to the actuary may not be accurate, and the purpose of this amendment is to verify if that data coming out of workers compensation is accurate and useable. He pointed out that this auditor will take a look at the information and procedures used to deter-

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mine the liabilities and revenue requirements of the state fund, so that they will know if the actuary was getting good data, or not.

Senator Pipinich asked if they have the feeling their software is in trouble. Senator Keating responded that it is really hard to explain, that it is not the software, necessarily, that it is the procedures and the assumptions being made by individual employees in the fund saying, if they pay this claim it will be so much money, or their history is that these claims get so much money, adding that they suspend some claims into a suspense account as something to be paid in the future, then come right behind it and pay the claim from another account, but it is still sitting there in suspense when it has already been paid. He again indicated that there is some doubt that the information is good, which is what they need to have checked out.

Senator Keating then reported that his information is that this was done by a committee for the state retirement fund, that they spent about \$15,000 checking the data before it went to the actuary to know that the system, the procedures and the functions, were accurate so that the results were accurate, and so the state would know how much money they had to spend in teachers' retirement in order for it to come out the way they wanted it to come out. He indicated that they hired an independent auditor to check the data so that the actuary could give them the right information, and that it cost about \$15,000 for that contracted service to check that information. He pointed out that is what they need, here, before they hire another actuary, or even let their own actuary go again.

Senator Devlin indicated that it sounds to him like, instead of the computer being all haywire, it is whoever is putting the numbers into it, and maybe there should be some retraining rather than just somebody else checking the figures, that they will have to do this every year, if they can not get somebody trained to put them in right. Senator Keating responded that is what these people will determine, that they will make that kind of determination.

Senator Lynch asked, of this \$40,000, will the consultant be limited to about \$25,000, and will it come out of the workers compensation tax account. Senator Keating responded that is right. Senator Blaylock asked Senator Keating if it is going to cost that much, do they need that much. Senator Keating responded that he does not know. He indicated that the legislative committee would ask the Legislative Auditor which

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firms they think could best do this job, and they can either get some bids on it, or the Legislative Auditor can say that, from their experience, the ballpark is somewhere around \$20,000 or \$25,000, or whatever it is, and they will enter into a contract for services with a specific organization for whatever amount of money they decide upon, but there is a \$25,000 cap, and they think it can be done for that kind of money.

Senator Blaylock noted that obviously they are going to go ahead with this, and indicated that the point arose at their last meeting that the right questions were not being asked of the auditors. He asked if this person, when they get into the software and stuff, could suggest some further questions which should go to the next actuary. Chairman Aklestad responded that he would imagine they could. Senator Blaylock stated that he has grave reservations whether they will find out a whole hell of a lot. Senator Keating pointed out that, even if they verify that the information going to the actuary is accurate, that serves their purpose. He indicated that, as of right now, the actuarial report is suspect because of the data he is getting and, if they verify the data is good, then they can accept his report. He added that, if they find out that the data is not good, then they have a skewed actuarial report and that, either way, their purpose is best served.

Senator Lynch stated that he hopes Senator Keating is right, but indicated that it seems to him, noting that he does not know how many studies they have had on workers compensation, that they will keep having studies until they find one that they like the figures. He noted that, as long as they do not like what they are telling them, it keeps going up, up, up, and they say the data is wrong and let's keep going. He again indicated they have had an awful lot of studies on this but, if it does some good.

Chairman Aklestad pointed out that he used the argument the other day that the Legislative Auditor should be able to do some of this, but they are told they are pressed for time and do not have enough staff. He indicated that he thinks, in this whole system, they should have some priorities, and then drew the committee's attention to page 4, line 8 of the bill, which designates the different staff people who would help them, noting that it is right in there that the Legislative Auditor would assist this committee. He stated that he would hope that, between the staff they already have on the first floor, including the Legislative Auditor, they would be able to come up with some different questions, that he agrees with Senator Keating that some different questions need to be

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asked, but he would think they had the capability within their own resources to come up with different questions.

Senator Blaylock asked if they have about 35 people on the Legislative Auditor staff. Senator Keating responded they have 60 FTEs, but that they have a backlog of audit requests they can not get to, that they already have contracted services on some audits just because they do not have sufficient auditing staff. He added that, also, the turn-over is bad because their pay scale is low and they are losing good people to other places, that they are juggling balls just to stay alive, so it is tough.

Vote: Chairman Aklestad called for a roll call vote on the motion to amend HB62 to provide for an independent consultant to audit the information procedures. The motion passed with 7 members in favor, and 2 opposed.

Motion: Senator Lynch offered a motion that HB62, as amended, be concurred in.

Vote: Motion passed that HB62, as amended, be concurred in, with Senator Devlin opposed.

ADJOURNMENT

Adjournment At: 4:25 p.m.



GARY C. AKLESTAD, Chairman

GCA/mhu
HB62EXAC.711

ROLL CALL

LABOR COMMITTEE

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DATE: 7/11/89

	PRESENT	ABSENT	EXCUSED
SENATOR TOM KEATING	✓		
SENATOR SAM HOFMAN	✓		
SENATOR J.D. LYNCH	✓		
SENATOR GERRY DEVLIN	✓		
SENATOR BOB PIPINICH	✓		
SENATOR DENNIS NATHE	✓		
SENATOR RICHARD MANNING	✓		
SENATOR CHET BLAYLOCK	✓		
SENATOR GARY AKLESTAD	✓		

Amendments to House Bill No. 62
Third Reading Copy

Requested by Senator Tom Keating

For the Senate Committee on Labor and Employment Relations

Prepared by Tom Gomez
July 11, 1989

1. Page 6, lines 12 and 13.

Strike: subsection (6) in its entirety

Insert: "(6) hire an independent consultant to audit the information and procedures used to determine the financial liabilities and revenue requirements for operation of the state fund."

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Third Reading Copy

For the Senate Committee on Labor and Employment Relations

Prepared by Tom Gomez
July 11, 1989

1. Page 6, lines 12 and 13.

Strike: subsection (6) in its entirety

Insert: "(6) hire an independent consultant to audit the information and procedures used to determine the financial liabilities and revenue requirements for operation of the state fund."

2. Page 6, line 15.

Strike: "general fund"

Insert: "workers' compensation tax account, established in 39-71-2504,"

ROLL CALL VOTE

LABOR COMMITTEE

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DATE: 7/11/89 BILL NO: HB62 TIME: 4:23pm

VOTE:	YES	NO
SENATOR TOM KEATING	✓	
SENATOR SAM HOFMAN	✓	
SENATOR J.D. LYNCH		✓
SENATOR GERRY DEVLIN	✓	
SENATOR BOB PIPINICH	✓	
SENATOR DENNIS NATHE	✓	
SENATOR RICHARD MANNING	✓	
SENATOR CHET BLAYLOCK	✓	
SENATOR GARY AKLESTAD		✓

Motion by Senator Keating to amend HB62
to provide for an independent consultant
to audit the information procedures.

Mary Lynch
Secretary

Gary Aklestad/mhu
Chairman