

MINUTES

MONTANA SENATE 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON LABOR & EMPLOYMENT RELATIONS

Call to Order: By Senator Thomas E. Towe, Vice Chair, on March 14, 1991, at 3:30 p.m.

ROLL CALL

Members Present:

Thomas Towe, Vice Chairman (D)
Gary Aklestad (R)
Chet Blaylock (D)
Gerry Devlin (R)
Steve Doherty (D)
Thomas Keating (R)
J.D. Lynch (D)
Dennis Nathe (R)
Bob Pipinich (D)

Members Excused: Richard Manning, Chairman (D)

Staff Present: Tom Gomez (Legislative Council).

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion: NONE.

HEARING ON HOUSE BILL 187

Presentation and Opening Statement by Sponsor:

Representative Jerry Driscoll told the Committee House Bill 187 would change the determination of what workers' compensation premium from percentage of payroll to hourly in the construction industry. He explained an employer paying good wages in the construction industry is subsidizing the low-wage payer. House Bill 187 is an attempt to equalize the premium in the construction industry. Employers in the construction industry keep records of hours worked in order to prepare bids. He commented the fiscal note has several "things which are not even in the bill", i.e., the insured employers fund. The need for 8 FTE to audit is not necessary. Union contractors are audited in the private sector because fringe benefits are paid by the hour.

Proponents' Testimony:

Gene Fenderson of the Montana State Building and

Construction Trades Council which represents eleven difference international unions across Montana spoke in favor of House Bill 187. He told the Committee the situation in the workers' compensation in Montana is in a position of "almost disastrous proportions" to those contractors willing to pay a fair and decent living wage to their employees. The present system is based on wages per 100. House Bill 187 is based on hours worked. He explained those employers paying low wages, work employees under same working conditions (sometimes the same job sites), have the same coverage for medical costs for employees, their employees draw the same weekly benefits, receive the same lump-sum payouts; that employer will pay half the workers' compensation premium cost as an employer paying a higher wage. He pointed out across the United States in areas such as Delaware, Pennsylvania, Missouri, New Mexico, and Oregon have looked into this issue. The conclusion in all these states is the current system is unfair. He explained the handout he presented to the Committee (Exhibit #1).

Larry Kenney, Executive Secretary of the Washington State Labor Council, AFL-CIO spoke in support of House Bill 187 from prepared testimony (Exhibit #2).

Don Judge of the Montana State AFL-CIO spoke from prepared testimony in favor of House Bill 187. (Exhibit #3)

Ron James, Business Agent of the Ironworkers spoke in support of House Bill 187. Mr. James explained young ironworkers go through a four year program. They are instructed how to work safely because this is a high risk trade. The non-union contractors do not. Non-union contractors coming in from Wyoming, for example, pays Wyoming's workers' compensation which is lower than Montana's. When Montana contractors go to Wyoming they pay Montana's workers' compensation. He told the Committee this legislation would "make it fair".

Lars Ericson of the Montana State Council of Carpenters spoke in support of House Bill 187. He told the Committee in the construction industry a "price tag" has to be put on a finished product before knowing the actual cost. Material costs must be "second guessed", and the weather must be predicted months, and even years, in advance. The workers' compensation rules are inequitable. Currently a contractor must pay \$17.48 per \$100 of wages for every commercial carpenter he employees. The rates for ironworkers is over 100% with plumbers around 50%. If a contractor is paying a carpenter \$13.00 the workers' compensation burden is \$2.27 per hour or \$90.90 for a 40 hour week. If the competitor is paying \$10.00 per hour, workers' compensation burden is \$1.75 per hour or \$69.92 for a 40 hour week. A third contractor paying \$8.00 per hour, the workers' compensation burden would be \$1.40 per hour or \$55.94 for a 40 hour week. Hospitals and doctors charge the same rate no matter how much the employer is paid, nor how much the employer paid into workers' compensation.

Rick Abraham of Montana Metal Buildings spoke in support of House Bill 187. Mr. Abraham told the Committee current rates are \$60 to \$70 per 100. He explained on larger jobs they have been out bid by 1 and 2 percent. In comparing his workers' compensation to his competitor, Mr. Abraham may have the job by 5 to 6 percent.

Bob Murphy, Business Manager of Local 185, International Brotherhood of Electrical Workers told the Committee House Bill 187 is not non-union v. union legislation. He explained it is a bill in which "everybody pays their fair share".

Johnny Monahan, Director of the Montana Ironworkers Joint Apprenticeship/Journeyman Training Program spoke in support of House Bill 187 from prepared testimony (Exhibit #4)

Michael Mizenko, Business Manager for Plumbers and Pipefitters in Great Falls, representing Montana Plumbers and Pipefitters and Locals 30 (Billings), 41 (Butte), 459 (Missoula), and 139 (Great Falls) spoke in support of House Bill 187. He told the Committee 90% of plumbers and pipefitters are licensed to work in Montana homes.

Bob Nommensen of Sletten Construction told the Committee he is one of the employers "being penalized for paying higher wages". He explained the risk to worker injury is directly related to the hours worked rather than the amount of pay. He commented higher paid employer are more experienced, better trained and safer. He stated he were paying higher workers' compensation premiums than employers paying lower wages. Reporting hours would be "an ease" since records provide hours, as do records of most contractors. These records are necessary to remain competitive in the industry. He spoke in strong support of House Bill 187.

Opponents' Testimony:

Jacqueline Terrell, representing the American Insurance Association spoke from prepared testimony in opposition to House Bill 187. (Exhibit # 5)

Gene Phillips of the Alliance of Insurers spoke in opposition to House Bill 187. Mr. Phillips told the Committee the Alliance is a trade association whose member companies account for approximately 25% of all workers' compensation premiums written in by insurance companies in Montana. He explained shifting of the premium computation from a payroll base to a man-hour base will tend to create inequities. It may decrease premiums for large construction employers and increase premiums for all other employers. He commented regardless of what calculation is used to develop a premium, a certain amount must be collected to keep the system funded adequately. Any short-fall from one segment will need to be made up by the other. He stated a measurement of exposure to loss is essential to the

proper functioning of the insurance process. The quantity used in these measures is the premium base. The premium base to be acceptable must vary with the exposure to the hazard and to be developed with the data which is readily available and verifiable. While both payroll and hours worked will meet the first criteria, hours worked does not meet the test for availability and verifiability at the present time. In order to be of any value in insurance pricing it would be necessary to collect work hour data for several years. Even if collected such data would not be subject to external checks and balances which is central to a workable and fair evaluation process. The idea of using man-hours data to establish premium levels is not new. It has been studied in many jurisdictions in the past ten years and has been rejected in all. He suggested there may be some other method to make the system fair. He offered to work with the proponents to achieve that end.

Pat Sweeney representing the State Fund spoke in opposition to House Bill 187 from prepared testimony (Exhibit #6)

Questions From Committee Members:

Senator Doherty asked Ms. Terrell what the percentage of private sector insurance is in the construction industry for workers' compensation. Ms. Terrell told the Committee she did not have the percentage.

Senator Doherty asked how much is state fund and how much is private sector. Ms. Terrell explained the state fund had approximately 65% of the market share of workers' compensation in Montana.

Senator Doherty asked Ms. Terrell if those figures were consistent with the construction industry. Ms. Terrell told the Committee it was her understanding they are not. She explained the bulk of the construction industry is insured with the state fund.

Senator Lynch asked Pat Sweeney if an individual is working construction and loses an arm, he would receive the benefit no matter what wage the construction company pays. Mr. Sweeney explained the benefit is based upon wage. For a permanent, 50% of the state's average weekly wage would be received.

Senator Lynch asked if it were fair "that one guy is paying so much less than another guy". He commented there is a fairness issue no one is addressing except the proponents. Mr. Sweeney told the Committee he did not feel it were a fairness issue, that none of "us live in a fair system". He explained the collection of premium in workers' compensation has been the same for the last 75 years. In working with the bill's sponsor an alternative has been offered which would satisfy of the concerns of the construction industry and possibly create the fairness Senator Lynch is speaking of.

Senator Towe asked Ms. Terrell if it would be impossible to obtain and verify records. Ms. Terrell told the Committee the problem with hours worked is those records are not kept for any other purpose. She commented union employers keep those records, but not everyone is an union employer or employee. In many business those records are not kept. The advantage of payroll records is they are kept for federal tax purposes, social security purposes, etc.

Senator Towe asked Representative Driscoll about Mr. Sweeney's point of the inability of the fund to get "geared up" for 1992 because of the actuarial problems and others. Representative Driscoll told the Committee the actuary said "we were \$29 million in the hole", a year later a report said it was \$130 million. He stated "he can get geared up, they just don't like the bill".

Senator Towe asked Representative Driscoll why on Page 9, Section 4, Lines 17 and 18 it states "provisions of this section do not apply to the construction industry". He asked if this were from another bill, or is the first time the construction industry is not allowed to apply to the temporary leaves from the state provisions. Representative Driscoll stated it has to do extra-territorial application of reciprocity agreements, and they do not want reciprocity agreements. He told the Committee this is a very important part of the bill. Contractors cannot come into Montana where there is an artificial system where millions of dollars of coal tax has subsidized the workers' compensation.

Closing by Sponsor:

Representative Driscoll told the Committee the short-fall the opponents spoke of would not be shifted to other class codes. He explained workers' compensation does not work that way. He stated employers have to know how many hours worked if they wish to take the credit for not paying premium on overtime. The only private contractor in Montana which is written by a private insurance company is Bechtel Corporation and they own the insurance company. In the eastern states there are law suits over the inequity because of the high-paying employer subsidizing the low-paying employer. He commented there was testimony stating "some people would cheat". "They cheat now, they pay cash". He told the Committee most employers are honest. He commented there are several states which have addressed this: New Mexico, Washington, Delaware, Pennsylvania, Missouri, and Oregon. Representative Driscoll told the Committee an amendment will be offered which will be a percentage, but if an employer pays more than the average weekly wage, the employer gets a credit; if they pay less, they will get a surcharge.

HEARING ON HOUSE BILL 812Presentation and Opening Statement by Sponsor:

Representative Dave Wanzenried told the Committee House Bill 812 provides legislative direction and legislative clarity as to wages for the benefit of employers and employees for computation of taxes for unemployment insurance and workers' compensation. He explained House Bill 812 grants the Department of Labor and Industry and the State Fund rule-making authority to establish the common definition for both workers' compensation and unemployment insurance.

Proponents' Testimony:

Keith Olson of the Montana Logging Association spoke in support of House Bill 812. He told the Committee a 1989 workers' compensation court decision put into question the historical method by which employers in the logging industry reimbursed their timber-fallers for what is termed "saw rent" or that allowance to timber-fallers who provide their own chain saws and transportation. He explained the unique nature of a timber-fallers duties necessitates and justifies the saw rent allowance. The workers' compensation decision implies the method of reimbursement must be changed to more accurately reflect each timber-fallers actual expenses. He commented the logging industry is prepared to do this. House Bill 812 is necessary in order to allow the department to promulgate industry specific rules which will satisfy the court.

Don Judge of the Montana State AFL-CIO told the Committee they had no opposition to House Bill 812.

Curt Laingen, representing the Montana Motor Carriers Association asked to go on record in favor of House Bill 812.

Chuck Hunter of the Montana Department of Labor and Industry told the Committee the bill gives clear authority to the department to exclude from the definition of wages those expenses that are employee reimbursements. He explained this will allow the department to continue with the practice of allowing those legitimate deductions. It gives the department the rule making authority to write rules for both unemployment insurance and workers' compensation regarding what constitutes wages. He urged support of House Bill 812.

Jim Murphy of the State Fund told the Committee the State Fund supports House Bill 812.

Bob Heiser of the United Food and Commercial Workers International Union asked to go on record in support of House Bill 812.

Opponents' Testimony:

NONE.

Questions From Committee Members:

Senator Lynch asked Representative Wanzenried if board is already exempted and if House Bill 812 includes meals. Representative Wanzenried stated that is true.

Senator Towe asked Representative Wanzenried how is it the premium or the benefits affected. Representative Wanzenried told the Committee it should not be affected at all. Informal policy in both areas is what will be done formally under rule making is granted in House Bill 812.

Closing by Sponsor:

Representative Wanzenried closed on House Bill 812.

EXECUTIVE ACTION ON HOUSE BILL 812

Motion:

Senator Keating moved House Bill 812 BE CONCURRED IN.

Discussion:

NONE.

Recommendation and Vote:

Motion to BE CONCURRED IN CARRIED UNANIMOUSLY. Senator Keating will carry House Bill 812 to the Senate.

HEARING ON HOUSE BILL 875

Presentation and Opening Statement by Sponsor:

Representative Tim Whalen told the Committee with the exception of Tom Schneider, no one on the Benefits Advisory Committee is from organized labor. House Bill 875 would allow representation on the committee from every labor organization with 1000 employees or more representing state employees. He explained the bill should not be necessary because 2-15-1016 provides the employee benefit advisory council must be selected from a diverse group to represent the interest of state employees and retirees.

Proponents' Testimony:

Don Judge of the Montana State AFL-CIO suggested an amendment to House Bill 875 which is not in drafted form at this time. He asked that at least 50% of the committee be composed of union members covered by a collective bargaining agreement. The committee is made up of one representative of the employees affected by the decisions of this committee. The situation in state government currently more than 60% of the workers are covered under collective bargaining and are members of organizations representing those workers. He commented they are not asking for 60%, or for the members to be business agents or officers of those organizations.

Terry Minow of the Montana Federation of Teachers and Montana Federation of State Employees spoke in favor of House Bill 875 and the amendment presented by Don Judge. She spoke from prepared testimony (Exhibit #7)

Bob Heiser of the United Food and Commercial Workers International Union spoke in favor of House Bill 875 and the amendment presented by Don Judge.

Opponents' Testimony:

Laurie Ekanger with the State Personnel Division spoke in opposition to House Bill 875. She told the Committee she chairs the Advisory Council. She stated people have not been purposely omitted from serving on the council. There is a mailing list of 50 people, with 20 people who attend regularly. The amendment would dramatically change the membership. Many members have been on the council for a length of time and have become familiar with the benefit issued. She told the Committee House Bill 875 would only apply to one union not already on the council.

Questions From Committee Members:

Senator Devlin asked Ms. Ekanger how many members are on the council and who they are. Ms. Ekanger told the Committee there are nine: Cindy Anders representing the inter-departmental coordinating committee for women, Tom Schneider representing MPEA, Tom McCarthy representing Warm Springs State Hospital, Curt Nichol representing the Budget Office, Scott Seacat representing the Legislative Auditor, Nancy Ellery with the Medicaid Program, Ken Givens (retired member), Dave Evanson representing the deferred compensation program, and Ms. Ekanger.

Senator Devlin asked Terry Minow if there has been a specific problem which has arisen to bring this bill before the Legislature. Ms. Minow explained there has been no representation and the council has made recommendations regarding needs for a certain number of dollars for the next two years in order to keep premiums from increasing. She told the Committee their estimates are not always accurate. She commented with the

exception of Tom Schneider all members are management.

Senator Blaylock asked Ms. Minow if her union has asked to be placed on the council and turned down. Ms. Minow told the Committee they have not asked. They have not been notified of when the meetings take place. She explained they have asked to be on the mailing list and will get notice of meetings now.

Senator Blaylock asked Ms. Minow why they had not asked to be on the mailing list before, and asked to have a member on the council. Ms. Minow could not comment.

Senator Keating asked how many more members would be added. Representative Whalen explained there is one representative organization member now, Tom Schneider. He explained there is no statute requiring the size of advisory councils.

Senator Towe asked Ms. Ekanger if it did not occur to the director making appointments that the council is not very well balanced. Ms. Ekanger told the Committee they responded to people showing interest or having expertise. There was an additional union member from AFSCME who resigned. An attempt was made to have her replaced.

Senator Towe asked Ms. Ekanger why she had problems with the amendment. Ms. Ekanger explained they had not thought in terms of management/labor; they had thought in terms of health expertise. She commented if there are concerns about recommendations coming from the council "this is the very first I've heard of it".

Closing by Sponsor:

Representative Whalen closed on House Bill 875. He told the Committee he apologized if there were an impression something had been done intentionally to leave individuals off the council.

HEARING ON SENATE BILL 417

Presentation and Opening Statement by Sponsor:

Senator Williams presented Senate Bill 417. He explained a handout he presented to the Committee (Exhibit #8). He told the Committee Senate Bill 417 was like Senate Bill 29 during the special session in June 1989. He explained he was seeking equality in premiums paid for workers' compensation. Workers' compensation has a total unfunded liability a little under \$300 million. There are tens of thousands of insured individuals receiving the same benefits. Some premiums are paid at 28 cents on \$100; some at \$38.00 on \$100 with a modification factor of .99. He suggested a more even balance would occur if there were a higher minimum premium by bringing up those paying 28 cents on \$100.

Proponents' Testimony:

NONE.

Opponents' Testimony:

Mary Craig, a certified public accountant spoke in opposition to Senate Bill 417. She told the Committee Senate Bill 417 is a 300% increase in a some small business premiums. She commented SB 417 would cause all to have a minimum of \$500. A very small business with one employee receiving minimum wage the rate would be 28 cents per \$100, the premium would not be \$500 for the year. She stated this would be a hardship for a lot of "little businesses in Montana". "Little business in Montana are just hanging on by their boot straps".

Pastor Ken Moore representing the Helena Ministerial Association and Christian Churches in Montana told the Committee there are 4,000 churches in Montana with an average membership of 125. He explained most churches pay an average of \$116 in workers' compensation premiums. To raise to \$500 would have "a devastating effect on many small churches". He urged the defeat of Senate Bill 417.

Tom Harrison on behalf of the Montana Certified Public Accountants Association stated the concept of Senate Bill 417 is laudable but does not will not have a laudable effect. He explained there are 5000 people in Montana which have been at the minimum level of \$80. Based on risk the \$80 is the cost and value of the protection. He commented this has been raised to approximately \$115. The \$500 minimum would be a "real money machine", but would not be fair to employers with these low payrolls, and would not represent the value those people were getting.

Jim Tutwiler of the Montana Chamber of Commerce spoke in opposition to Senate Bill 417. He told the Committee of the Chamber's respect for Senator Williams and his contributions and involvement in workers' compensation. Of the 26,000 to 27,000 business insured by the state fund, approximately 14,000 are paying a rate under \$200. Prior to 1989 the workers' compensation system suffered from the reputation that premiums were artificially fixed. He commented the approach Senate Bill 417 takes considers mandating and legislating what premiums should be. The system adopted in 1989 was to create a state mutual compensation insurance fund, ran like an insurance business, run actuarially, and not work to set premiums on considerations other than what insurance managers can calculate. He urged a do not pass.

Jacqueline Terrell representing the American Insurance Association spoke in opposition to Senate Bill 417. She pointed out Plan 2 carriers are included and are required to charge the minimum premium to their insurers. She explained the cost of

insurance should track the risk that is being insured. When this minimum premium is charged to an insured it does not reflect the risk being insured. There are businesses which are low risk and do not justify this type of premium. These premiums would not reduce the unfunded liability. Those employers who chose to insure with private companies pay a payroll tax to help reduce the unfunded liability. By requiring them to charge their insurers this further premium is unfair.

Charles Brooks of the Montana Retail Association spoke in opposition to Senate Bill 417 from prepared testimony (Exhibit #9).

Laurie Shadoan of the Bozeman Chamber of Commerce spoke in opposition to Senate Bill 417. She asked the workers' compensation system not be balanced "on the backs of non-profits and small businesses".

Brendan Beatty representing the Montana Association of Realtors spoke in opposition to Senate Bill 417.

Questions From Committee Members:

Senator Keating asked Laurie Shadoan what non-profits she was speaking of. Ms. Shadoan explained these are ones involved with the homeowners association.

Senator Aklestad asked Senator Williams if he would consider an amendment. The amendment would put a percentage factor of 3% (\$3 per \$100) of an active insurer, for example. Senator Aklestad stated Senate Bill 417's purpose was not to just "raise money for the fund". He commented this was not Senator Williams' intention. Senator Williams told the Committee he would appreciate an amendment from the Committee.

Senator Towe asked Mr. Murphy what the basis is of the Fiscal Note which states the total premium amount required to operate on an actuarially sound basis would not change, rather there would be a redistribution because those currently paying than \$500 would pay more, while those paying more than \$500 would experience a decrease. Mr. Murphy explained the reason Senate Bill 417 is revenue neutral is any increase in revenue derived from a source will go into the "rate-making pot". If an increase is from \$116 to \$500, the revenue for the minimum is increased. When that revenue is "put in the pot", it will be considered when all the other rates are set.

Senator Towe asked if it were part of the formula. Mr. Murphy explained it was similar to the legislative appropriation a few years ago which went "into to pot" and was considered. He stated it is similar to interest earned on investments. It is in effect revenue neutral because the burden is shifted.

Closing by Sponsor:

Senator Williams closed on Senate Bill 417. He told the Committee "something has to be done". He commented the payroll tax should be a fair tax taking care of a workers' compensation problem. He explained at 28 cents on a \$100 tax calculates (for a \$10 per hour job) to a little more than \$560 per year. He recommended rather than yearly, the payments be quarterly. He expressed his hope at an amendment which could pass the bill out of Committee for discussion on the floor.

ADJOURNMENT

Adjournment At: 5:40 p.m.



SENATOR THOMAS E. TOWE, Vice Chairman



LINDA CASEY, Secretary

TET/llc

ROLL CALL

SENATE LABOR AND EMPLOYMENT RELATIONS COMMITTEE

DATE 3/14/91

LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SENATOR AKLESTAD	P		
SENATOR BLAYLOCK	P		
SENATOR DEVLIN	P		
SENATOR KEATING			
SENATOR LYNCH	P		
SENATOR MANNING			E
SENATOR NATHE	P		
SENATOR PIPINICH	P		
SENATOR TOWE	P		
Senator Doherty	P		

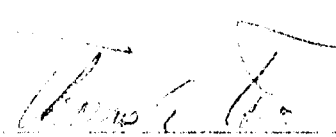
Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 15, 1991

MR. PRESIDENT:

We, your committee on Labor and Employment Relations having had under consideration House Bill No. 812 (third reading copy blue), respectfully report that House Bill No. 812 be concurred in.

Signed: 

Thomas E. Towe, Vice Chairman

1st 3-15-91
And Coord.

115 116
Sec. of Senate

5606568C.811

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 14 day of MARCH, 1991.

Name: ROBERT NOMMENEN

Address: 124 15TH AVE NW

GREAT FALLS, MT 59404

Telephone Number: (406) 761-7920

Representing whom?

SLETTEN CONSTRUCTION Co.

Appearing on which proposal?

HB 187

Do you: Support? ~~X~~ Amend? Oppose?

Comments:

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PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 14 day of March, 1991.

Name: Brendan R. Beatty

Address: 208 N. Montague #105

Telephone Number: 443 - 40 32

Representing whom?

MT Assoc. of Realtors

Appearing on which proposal?

SB 417

Do you: Support? _____ Amend? _____ Oppose? X

Comments:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY



SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 1DATE 3/14/91BILL NO. HB 187

Heavy & Highway NEWS

NATIONAL JOINT HEAVY AND HIGHWAY CONSTRUCTION COMMITTEE

MASSACHUSETTS AVENUE, N. W.

• WASHINGTON, D. C. 20001 • (202) 842-2713

Vol. 5, No. 4 December, 1989

Workers' Compensation

THE HIDDEN NON-UNION ADVANTAGE

We've been asleep at the switch! There is a major cost factor in construction that prohibits union contractors from being competitive, yet most of us know little about it. More surprising, the labor movement has done practically nothing to change this problem even though it constitutes a greater competitive disadvantage to union contractors than wages, fringes and working conditions combined. It directly affects every construction worker in the United States, and quite possibly, is the single most important issue union contractors and unions face today. For this reason we are presenting this article on Workers' Compensation insurance in hopes that by making you aware of the problem, you can join with us in making changes to the current laws.

History

In the early 1900's, prior to any Workers' Compensation laws, personal injury suits were filed in the courts and employees had to prove employer negligence in order to collect damages. As the United States grew from an agricultural economy to an industrial economy the number of personal injury suits increased and, as you might imagine, was a slow and uncertain legal process for the employer and the injured employee.

In 1911, the first Workers' Compensation laws were enacted in the United States. Today, all 50 states have Workers' Compensation laws which serve to relieve employers of liability from common-law suits involving negligence. While these laws do provide workers with "reasonable income" and medical benefits for job-related injuries, let there be no mistake that Workers' Compensation laws have provided a greater benefit to employers.

In 1976, a government task force studying Workers' Compensation laws found that unless changes were made, Workers' Compensation would become more expensive, less equitable, and less effective. Guess what? No changes have been made and, as you will see, the system is now bordering on a total collapse in many states. The U.S. Department of Health and Human Services estimated that employers spent over \$34.1 billion on Workers' Compensation insurance in 1986. This was \$4.8 billion or 16% higher than 1985, and another 16% higher than 1984.

The Problem

Rates for private Workers' Compensation insurance are universally based on a certain cost per each \$100 of payroll depending on the classification of work. This means that a union employer paying a higher wage rate has a higher Workers' Compensation insurance cost even though studies show that higher paid union workers work safer than their non-union counterparts. This is true even though each contractor has a "modifier" which is supposed to adjust costs according to accident rates. It is true that certain classifications of work are more dangerous than others, but left unchecked, the non-union contractor will cheat by reporting workers in lower cost classifications. As you will see, the higher cost of the insurance because it is based on payroll costs, coupled with the non-union contractor's ability to cheat, can and does give unions a disadvantage that is impossible to make up through wages, fringes, and working conditions. If you think Davis-Bacon cheaters have an unfair cost advantage, get a load of this.

Premium rates vary from state-to-state as well as classifications. Costs can range from 7% to more than 100% of payroll costs, and average an estimated 30%. For example, rates per \$100 of payroll can be as low as \$2.27 for interior electrical wiring in New Jersey to an unbelievable \$162.26 for structural steel erection in Montana. Moreover, in Montana the spread based on classification ranges from \$8.30 to \$162.26 per \$100 of payroll. You'd be pretty naive to believe that Montana contractors are properly classifying their employees.

If it's not bad enough that they cheat, non-union contractors have found myriads of ways to beat the system entirely. One of the easiest ways with little likelihood of getting caught is known as "employee leasing." This system, which is heavily practiced in Florida, works like this: A developer carries the Workers' Compensation insurance on a project, but has no employees. If a contractor's employee gets injured, he/she is placed on the developer's payroll, a minimum premium is paid and presto, the employee is qualified for benefits. With all the money going out and little coming in, it is easy to understand why Florida insurers were asking for a 47.7% increase in rates.

(continued on back page)

(Workers' Compensation continued)

Another scam to eliminate paying Workers' Compensation is so-called independent contractors such as dump truck drivers. With virtually no enforcement, contractors are paying dump truck drivers a fixed fee for their truck which is supposed to cover the driver's wage plus an amount for the truck leasing. In this way, the contractor most likely is paying below Davis-Bacon wages, withholding no income taxes, paying no payroll taxes, and paying no Workers' Compensation insurance. We're surprised that anyone has a legitimate trucking business anymore.

The bottom line is that legitimate contractors who properly classify workers are being forced out of business or forced to cheat. The result is that 21 states have approved rate increases during a six-month period. Florida and Texas, states with a high concentration of non-union employers, have asked for rate increases of 47% and 35%, respectively. Unless changes are made, rate increases will continue which will further reduce the number of legitimate paying contractors and exacerbate the problem. Workers' Compensation is on a collision course!!!

Oregon Study

To prove that the system is "bass ackwards" in that higher paid workers are safer and yet must pay a higher premium, a study was done in Oregon that graphically demonstrates this fact. Mandated by the Oregon legislature, the study involved a year-long survey of the state's rating system conducted by the National Council of Compensation Insurance (NCCI) and an independent market research firm. "The data indicates that the system at the front end does have inequities with regards to the high wage union employers," said the NCCI's Director of National Affairs. This can be seen by looking at the premium and loss data shown below:

<i>Average Weekly Wage</i>	<i>Number of Employers</i>	<i>Premium</i>	<i>Total Losses</i>
Less than \$101	59	\$ 184,976	\$ 89,325
\$101-200	151	\$ 419,834	\$ 287,496
\$201-300	381	\$ 1,545,600	\$ 450,136
\$301-400	505	\$ 3,198,836	\$ 1,027,442
\$401-500	409	\$ 5,352,771	\$ 2,013,625
\$501-600	221	\$ 4,008,245	\$ 860,254

<i>Average Weekly Wage</i>	<i>Number of Employers</i>	<i>Premium</i>	<i>Total Losses</i>
\$601-700	151	\$ 2,349,297	\$ 595,415
\$701-800	55	\$ 1,973,052	\$ 291,610
Over \$801	51	\$ 678,731	\$ 111,692

For example, compare the data from employers that pay average weekly wages of \$201 to \$300 with those paying \$701 to \$800. The employers in the lower paying category actually paid 25% less in premiums (\$1.5 million) than the higher paying category (\$2 million) while they recorded 54% more in losses (\$450,136 versus \$291,610).

The study also looked at the modifier to see if it adjusted the premiums based on the loss experience of contractors and found "the modified loss ratio leads to the same conclusions . . ."

Possible Solutions

The most logical solution to the problem of unfairly penalizing higher paying employers is to change the premium computation method from \$100 of payroll to hours worked. After all, an employee's exposure to having a work-related accident is just as great no matter how much he/she is paid. Another solution would be to change the premium based on type of work being performed instead of classifications. In other words, why is a bridge iron worker charged a higher premium than the carpenter working alongside him? These are simple solutions to a complex problem which may prove very difficult to change.

We believe the most logical and equitable way to solve the problem is to pass federal legislation that sets forth minimum guidelines. Certainly, given the disparity of premium costs and benefits between the various states, we wouldn't have to look very far to find justification for a federal Workers' Compensation program. Tackling the problem on a state-by-state basis may be the least effective route to take, but it would certainly be worth the effort.

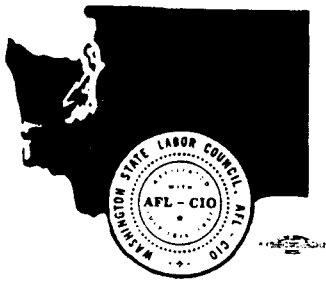
Finally, in case our readers are not convinced that the current Workers' Compensation system is biased toward non-union contractors, the Maryland Chamber of Commerce had this to say: "Calculating Workers' Compensation rates on hours worked rather than current practice of basing them on payroll removes the cost advantage that non-unionized labor firms have on the Workers' Compensation rates."

That's the final word to prove our point.

**National Joint Heavy and
Highway Construction Committee
111 Massachusetts Ave., N.W.
Washington, D.C. 20001**

Address Correction Requested

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Washington State Labor Council, AFL-CIO

LAWRENCE KENNEY, *President* • AL BRISBOIS, *Secretary-Treasurer*

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Montana State Legislature, Senate Labor Committee
Workers' Compensation Premium Basis, House Bill 187
March 14, 1991

Lawrence Kenney, President
Washington State Labor Council, AFL-CIO
201 Elliott Avenue West, Seattle, WA 98119

Washington State is unique in its method of assessing workers' compensation premiums. Premiums in our state are based on the number of hours worked. In every other state and jurisdiction, the premium basis is payroll. Washington State's system works for us. We recommend it for your consideration.

The hours of exposure method was instituted in our state in the 1930's. During the Great Depression, wages were being cut but not the hours of work. Lower wages reduced income to the state fund but it did not reduce the number of accidents. After the premium base was changed, fund income was stabilized.

In 1971, the Washington State workers' compensation agency was given statutory authority to change the basis for assessing premiums from hours of exposure to a payroll-based system. A hearing was held to consider making the change. Employers were virtually unanimous in their opposition. The change was not made.

Last fall, our state workers' compensation agency held six meetings with agriculture employers in different parts of the state to explore instituting a payroll-based premium system for farm employers. Again, the opposition was unanimous. The idea has been dropped.

Several years ago, our State Legislature created a commission on Efficiency and Accountability in State government. I have been a member of that commission since its inception. The commission, at the request of a state agency, will review its operations and make suggestions for change. Last year, our state workers' compensation agency requested that we review its employer services division. The agency had problems, just as any large organization does. But none of the premium collection problems were the result of the method of assessing premiums. As a matter of fact, the study team didn't even consider the unique character of our premium base to be worth mentioning.

Washington State has no special problems of determining the accuracy of premiums based on hours. Employers already keep hourly records. Payroll

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 2

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BILL NO. HB 187

is based on the number of hours worked. Eligibility for most fringe benefits requires a minimum number of hours. For those of us who don't work a specified number of hours, premiums are paid on the assumption that we work forty hours a week.

Washington employers are satisfied with our present system. It is fairer and better reflects the actual risk of on-the-job injury or illness. In addition, it keeps employers aware of premium increases. Premiums based on payroll can be increased without ever changing the rate. If wages rise, premiums based on payroll rise by the same amount, even though the probability of injury or illness has not changed. Under the hours of exposure method, there are no hidden rate increases. When premium increases are proposed, the amount is clearly stated and is not partially obscured by wage changes.

Industrial injuries and diseases are not a function of the rate of pay, but of the number of hours worked. The more hours on the job, the more likely that an injury or illness will occur. The rate of pay is a poor measure of exposure. As a matter of fact, higher wage workers are more likely to be skilled and experienced and are less likely to be injured on the job.

The most persuasive argument for the payroll system is the presumed relationship between wages and industrial injury costs. That argument doesn't stand up under scrutiny. Claims which involve only medical costs comprise more than 80 per cent of all claims and almost half of the costs. Medical costs are not related to wages. They are the same for everyone. The relationship between income benefits and workers' compensation costs ends when the maximum benefit is reached. In Washington the maximum benefit is equal to the state's average wage. The maximum limits benefits for almost a quarter of the injured workers.

Premiums based on hours rather than wages allow for a more accurate assessment of reserve requirements. Hours of work change less from year to year than wage levels. During periods of fluctuating wages, insurers have to hedge by setting premiums high enough to ensure that projected liabilities will be met. That may result in higher than necessary premiums and excess reserves.

The basis for premium assessment will not affect total workers' compensation costs. It will merely shift costs among employers. In Washington, we have adopted a policy that employers who pay decent wages and have fewer injuries on the job should not be required to subsidize low-wage, unsafe employers. Under the hours of exposure method, all employers in the same classification pay the same basic rate, modified only by their individual claims experience. That helps keep employers on the same competitive level. Firms which pay higher than average wages are not penalized by also having to pay higher workers' compensation premiums.



DONALD R. JUDGE
EXECUTIVE SECRETARY

110 WEST 13TH STREET
P.O. BOX 1176
HELENA, MONTANA 59624

(406) 442-1708

TESTIMONY OF DON JUDGE ON HOUSE BILL 187 BEFORE THE SENATE LABOR AND
EMPLOYMENT RELATIONS COMMITTEE, MARCH 14, 1991

Mr. Chairman, members of the committee, for the record my name is Don Judge and I'm here today representing the Montana State AFL-CIO in support of House Bill 187.

In 1987, the Montana State AFL-CIO supported a similar measure introduced by Representative Driscoll. Unfortunately, for workers and construction contractors, the measure failed. That has meant four more years of unnecessary, inequitable and unfair competition in the construction bidding process in Montana.

Employers who pay higher wages to their workers have, as result of the failure of this legislation in 1987, been forced to pay higher workers' compensation premiums and to compete against employers who pay substandard wages. Under current law, employers who pay lower wages also pay lower workers' compensation premiums -- even though work place accidents and injuries on their jobs exceed those of the higher paid union workers.

That's right -- union workers are safer workers, and because they generally pay higher wages, union contractors are forced to subsidize the less safe non-union contractors workers' compensation coverage!

The November, 1990, Journal of Occupational Medicine published a study entitled, "Safety Performance among Union and Nonunion Workers in the Construction Industry" by Dr. Dedobbeleer, et al. The study bluntly states: "... that by far the best variable for classifying workers as union or nonunion construction workers was the exposure to safety training." The study further shows that construction workers' safety performance is significantly related to union membership.

According to the January 1991 issue of Safety Spotlight, published by the National Erectors Association, the New Mexico State Legislature recently enacted a law reforming the state's workers compensation reporting requirements. As of January 1, 1991, workers' compensation rates will still be determined by payroll figures, but hours worked must also be reported. According to their Senate Bill 1, the legislature found that "... calculating workers' compensation premium rates strictly on the basis of an employer's wages paid discriminates against and penalizes higher-paying employers."

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Testimony of Don Judge on HB 187
Page Two
March 14, 1991

This same publication also reported that the Pennsylvania Insurance Commissioner recently ordered that the state's rating bureau must notify its members that man-hour data must be collected from employers in 46 construction classifications beginning January 1, 1991. The order followed labor-management efforts to change the Pennsylvania workers' compensation premium base system from one based on payroll to one that is based on hours worked.

This legislative session, you will have the opportunity to put Montana construction employers on a level playing field. You can vote to help stabilize an unfair bidding situation and to apply an important system of worker protection on a fair and equal basis.

We urge you to do so by giving your support to House Bill 187. Thank you.



MONTANA IRONWORKERS JOINT
APPRENTICESHIP AND JOURNEYMAN TRAINING PROGRAM

P.O. BOX 3206

PHONE (406) 771-0404

GREAT FALLS, MT 59403-3206



JOHNNY MONAHAN
Director

MANAGEMENT:
DICK DE VRIES
JAMES LECHNER
RALPH L. BELTRONE

LABOR:
RON JAMES
FRANCIS FITZPATRICK
GERALD H. MILES

TESTIMONY OF JOHNNY MONAHAN
HOUSE BILL #187

Mr. Chairman and Committee Members. For the record, my name is Johnny Monahan and I am the Director of the Montana Ironworkers Joint Apprenticeship and Journeyman Training Programs, which is a jointly administrated Labor - Management Program.

Housebill 187 is a bill that would create a level playing field between Union and Non-Union Contractors.

Under the present system, whereby Worker's Compensation premium is based on \$100. units of payroll, the employer paying higher wages pays more in premiums, in some cases double, than the lower paying employer whose employees perform identical work, have identical hazard exposure and receive equivalent Worker's Compensation benefits. The Union employee demands higher wages because they have been properly trained in skills and safety and therefore are less likely to be injured on the job. Yet, the employer who employs the most qualified workers is penalized and the employer who employs the least qualified worker is rewarded by the present system.

It is difficult to imagine anything more unfair than the present system which severely handicaps certain Contractors as they compete for business in the free marketplace. If the same discriminatory practice were extended to the purchase of material and equipment, the "RESTRAINT OF TRADE" violations would be obvious and anti-trust proceedings against the perpetrators would be automatic.

On behalf of the Montana Ironworkers Training Programs and myself, I thank the Committee for your consideration. I hope that upon close review of this problem you will conclude that there is a drastic inequity in the present Worker's Compensation rate structure for the construction industry.

We urge you to give a "DO PASS" consideration to house bill 187.

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 4

DATE 3/14/91

BILL NO. HB187

STATEMENT OF
AMERICAN INSURANCE ASSOCIATION
BY
JACQUELINE TERRELL LENMARK
RE HOUSE BILL 187

Mr. Chairman and members of the committee:

My name is Jacqueline Terrell Lenmark. I am a lawyer from Helena and a lobbyist for the American Insurance Association. The American Insurance Association is a national trade association that promotes the economic, legislative, and public standing of its some 180-member property-casualty insurance companies. The Association represents its participating companies before federal and state legislatures on matters of industry concern.

We, the American Insurance Association, (~~oppose/support~~) **HB 187**

To attack a problem sensibly it is necessary to understand what the problem really is. That must precede any credible proposals for solving the problem. There has been little effort to ascertain in an objective way the nature of the problem we think we are addressing today. Most analysis has had the goal of supporting preconceived conclusions, i.e., it has been advocate's research.

Changing the basis for workers' compensation insurance premiums to hours worked instead of total payroll would raise costs for the majority of affected employers while only slightly reducing rates for a few high-wage employers. Estimates from other states showed that 80% of employers would pay more, as much as double, while achieving a 5% reduction for some employers. The higher costs do not include the costs created by the additional recordkeeping burden on employers and insurers.

Lack of confidence in the accuracy of a rating base using hours worked would reduce consumer choice. Fewer and smaller carriers would mean an increasing monopoly for the state fund, as insurers avoid marginal risks for which their confidence in the pricing system is lowest, such as new, small, or high risk employers. This would not only tax the capacity of the state fund to handle additional business, but would also create additional financial pressure on the state fund and Montana taxpayers.

Use of a costly new insurance premium rate base unique to Montana also would have a detrimental effect on the insurance market place. All states with workers' compensation insurance now use total payroll. The cost of developing an hours worked system for Montana, as well as new internal data systems for insurers for use only in this state, would further discourage insurers from competing for business.

There is no unfair discrimination in the present total payroll system that would justify the expense and disruption to ratemaking that switching to a new system would create. Total payroll as the basis for premium is approved by the insurance department under legal standards that require that rating systems be designed to produce rates that are not excessive, inadequate, or unfairly discriminatory.

The present rating system is sensitive to the true loss potential of individual employers. An individual employer's actual premiums are calculated only after making a series of pricing adjustments. First, overall rate levels are translated into "manual" rates that provide loss-sensitive pricing by

grouping jobs with similar hazards into employment classifications. Additional price adjustments apply to all but the smallest employers, whose past loss histories are not actuarially predictive of future losses. The initial adjustment (a credit or debit) is for "experience." The experience modification is calculated separately for each employer based on the record of its actual losses. Further pricing adjustments include a discount based on economies of scale in issuing policies over a minimum size, deviations that recognize reduced risk of loss, loss-sensitive divided plans which may return funds to policyholders at the conclusion of the policy year, and retrospective rating plans for large employers whose final rate is calculated at the end of the policy period based on actual loss experience.

to assure a fair price to all employers, the basis for workers' compensation insurance premiums must reflect 2 factors:

The employer's exposure to hazard.

Records are always available and verifiable.

Total payroll satisfies these requirements:

Payrolls reflect exposure to hazard - number of workers, length of time worked, AND wage levels.

Records are always available and verifiable because they are kept for other purposes, not just for workers' compensation. For example, federal and state unemployment insurance laws require employers to report all wages paid on a quarterly basis. Employers must also keep these records for income tax, FICA, and other purposes.

Hours worked would not satisfy these requirements. For example, there would be significant recordkeeping problems:

Most employers are not required to report information detailed as hours worked. There would be an additional

paperwork burden on employers because hours worked data would be collected only for insurance purposes.

The accuracy of hours worked data reported by employers would be difficult to verify. It would be harder to detect recordkeeping errors and easier for dishonest employers to understate their true insurance exposure.

Hours worked would entail significantly more time for auditing employer records than total payroll, thus it would add directly to the administrative costs of workers' compensation insurance.

Insurers would need to collect hours worked data for 3 to 5 years before enough information would be available on which a rating system could be constructed, even if the information were reliable. During this time, employers would pay twice for the administrative expense of collecting data:

Once for the current system, and again for the additional expense of collecting hours worked data and constructing a new rating system based on that information.

Hours worked do not reflect the components of insurance costs as well as total payroll:

Hours worked do not recognize that indemnity benefits are tied to worker's pre-injury wages.

Hours worked are less sensitive to medical costs. Higher wage workers as a whole live in geographic areas with more expensive medical costs.

Total payroll rises automatically as the economy expands and reduces the level of rate adjustments otherwise needed.

Significant uncertainty over accuracy of hours worked data would either lead to higher rates to offset possible undercounting of the insurance exposure, or inadequate rates that could threaten the insurance market and jeopardize payments to injured workers.

Studies of the basis for workers' compensation premium have consistently rejected adoption of hours worked as an alternative base, while total payroll has been validated as a fair and effective system.

The governor's Task Force on Premium Equity in Oregon upheld the use of total payroll.

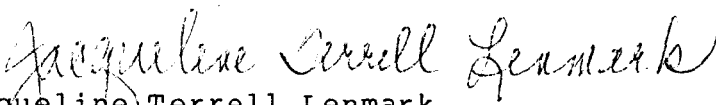
Legislation to adopt hours worked has failed of enactment in all states to consider the issue.

In the only state which uses hours worked (Washington, a state monopoly fund), the head of the fund has criticized hours worked and called for premiums based on payroll.

Unlike price adjustments based on losses, which provide direct incentive for employers to prevent injuries, a rating system based on hours worked will reward high-wage employers at the expense of lower-wage employers regardless of their safety records.

Submitted to Joint Labor committee for hearing on House Bill
187, March 14, 1991, 3:00 o'clock p.m.

Respectfully submitted,


Jacqueline Terrell Lenmark

JAT Sweevey

FACT STATEMENT IN OPPOSITION
TO HOUSE BILL 187

**Hours worked would do nothing to alter the total costs of the workers' compensation system.

**Hours worked would massively redistribute the premium costs from the very large employer to the very small employer. As many as 80% of construction employers in Montana would pay substantially more in standard premium than under the current system. They would pay this increased amount regardless of whether they have had loss free experience, or very good ratios.

**Auditing problems would be insurmountable since hours worked data is not readily available, verifiable, or maintained for non-insurance purposes. Employers who do not maintain hourly worked records, would only be able to "log" hours worked information; this information would not be verifiable by the Insurance Industry with external source documents.

**Dual record keeping would be required and would result in increased administrative and overhead costs for employers and insurance companies.

**The ratemaking system would be seriously disrupted since there is no data base for hours worked for any industry in Montana. The ratemaking organization would estimate an hours worked rate for a minimum of five years before any real data could be analyzed to determine if accurate information is available to produce actuarially sound hour worked rates.

**Total payroll keeps the manual rates at their lowest level, since all losses are spread over the largest possible base.

SENATE LABOR & EMPLOYMENT
EXHIBIT NO. 6
DATE 3/14/91
BILL NO. HB 187

**It does not work. Washington is the only state to have man-hours. Washington has had serious problems with its workers' compensation system. Washington is a monopolistic state fund, and operates a "pay as you go system," leaving the potential for future unfunded liabilities for injured workers. Employees are paying part of the premium in Washington.

A New York Board study concluded that "hours worked, as a basis of premium, would completely destroy the established equitable premium charges from employer to employer."




MONTANA FEDERATION OF STATE EMPLOYEES

AFT, AFL-CIO

P.O. Box 1246

Helena, Montana 59624

 ARTCRAFT, BUTTE

(406) 442-2123

JIM MCGARVEY
President



TESTIMONY OF MONTANA FEDERATION OF STATE EMPLOYEES GIVEN BEFORE SENATE LABOR COMMITTEE IN SUPPORT OF HB 875, MARCH 14, 1991

The Montana Federation of State Employees strongly supports HB 875 and we thank Representative Whalen for agreeing to bring this important issue before you. The bill would require the Governor to appoint a representative of each labor organization representing 1000 employees to the State Employee Group Benefits Advisory Council.

Current law states that one member of the Council must be a retired state employee. There is no statutory requirement for any labor representation on the Council. We believe it is important to specify that labor representatives will serve on the Council because the Council is a transitory body of varying membership over the years.

While currently there is one Council appointee with labor organizational ties, we believe that the memberships of different organizations vary in composition and resources, and that should be reflected in Council considerations. State employees are directly affected by group health insurance benefits. Allowing organizations of, for and by state employees membership to be represented on the Council is essential in carrying out the provision of current law stating "The members of the advisory council shall be selected from a diverse group in order to adequately represent the interests of state employees and retirees."

Under the bill, the Montana Federation of State Employees, AFSME and MPEA would be entitled to a representative on the council. The Department of Administration will testify that they will gladly appoint one of our members to the Council. We appreciate their cooperation, but that does not lessen the need for the bill. Administrations, and administration policies, change. Because health care benefits are an important part of the compensation package provided to state employees, we urge you to pass HB 875.

Thank you for your consideration.

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 7

DATE

3/14/91

BILL NO.

875



STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

June 28, 1989

Senator Bob Williams
Seat #39
Montana State Senate
State Capitol
Helena, MT 59620

Dear Senator Williams:

The following information is provided in response to your request for background information on the operating expenses of the State Compensation Insurance Fund.

Table 1 summarizes the income and expenses for the past several years, as reported in the Annual Review of Operations for the State Fund. As shown, administrative expenses for fiscal 1988 were about \$8.0 million.

Table 1
Income and Expenses
Fiscal 1982 through 1988

Income	Fiscal 1982	Fiscal 1983	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987	Fiscal 1988
Earned Premium	\$33.7	\$32.7	\$37.0	\$49.3	\$ 50.9	\$70.2	\$ 85.8
Investment Income	5.8	6.5	7.2	7.4	8.0	6.3	3.6
Other Income	0.5	0.4	0.2	0.5	0.3	0.5	0.0
Payroll Tax	0.0	0.0	0.0	0.0	0.0	0.0	11.0
Total Income	\$40.0	\$39.6	\$44.4	\$57.2	\$ 59.2	\$77.0	\$100.4
Expenses							
Claims	\$27.4	\$32.1	\$37.9	\$52.1	\$ 64.3	\$79.6	\$ 90.6
Other (Admin.)	5.0	4.6	5.0	5.1	6.9	6.2	8.0
Total Expenses	\$32.4	\$36.7	\$42.9	\$57.2	\$ 71.2	\$85.8	\$ 98.6
Net Operations*	\$ 7.6	\$ 2.9	\$ 1.5	\$ (0.0)	\$ (12.0)	\$ (8.8)	\$ -1.8

*Before adjustments and changes in reserve requirements.

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 8

DATE 3/14/91

BILL NO. SB 417

Sincerely,

Evan McKinney
Senior Fiscal Analyst

June 28, 89

WORK COMP INFORMATION

The following information was provided to me by Pat Sweeney and Jim Murphy of the State Work Comp Division of the Department of Labor.

Projected revenue from premiums paid in 1989
under the present system -----\$84,145,193

Revenue if we had a \$3.00 minimum premium rate
per \$100 of covered payroll-----\$113,392,065
(or 35% increase)

Revenue if we had a \$4.00 minimum premium rate
per \$100 of covered payroll-----\$127,815,054
(or 52% increase)

Revenue if we had a \$5.00 minimum premium rate
per \$100 of covered payroll-----\$143,799,461
(or 71% increase)

Keep in mind that the administrative cost in 1988 was 8 million dollars out of \$85.8 million income from premiums paid or well over \$9.00 per \$100.

SENATOR BOB WILLIAMS
Senate District 15



Executive Office
318 N. Last Chance Gulch
P.O. Box 440
Helena, MT 59624
Phone (406) 442-3388

TESTIMONY
MARCH 14, 1991
ROOM 412/13
SB 417

MR CHAIRMAN AND MEMBERS OF THE COMMITTEE:

FOR THE RECORD, I AM CHARLES BROOKS EXECUTIVE VICE PRESIDENT OF THE MONTANA RETAIL ASSOCIATION AND ITS AFFILIATES, MONTANA HARDWARE AND IMPLEMENT ASSOCIATION AND THE MONTANA TIRE DEALERS ASSOCIATION.

I APPEAR BEFORE YOU TODAY IN OPPOSITION TO SB 417. THIS PROPOSED LEGISLATION WOULD HAVE ADVERSE EFFECT ON A LARGE NUMBER OF SMALL RETAILERS THROUGH OUT THE STATE. ACCORDING TO DUN AND BRADSTREET SERVICES, THERE ARE 5700 HUNDRED RETAIL STORES IN THE STATE WITH 3 OR FEWER EMPLOYEES. THERE ARE OVER 3800 HUNDRED RETAIL STORES DOING \$140,000 OR LESS IN SALES VOLUME. THESE FIRMS WOULD BE SEVERELY IMPACTED BY THIS LEGISLATION.

I AM SURE EACH OF THEM ARE BARELY HANGING ON AND THIS BILL JUST ADDS ADDITIONAL PRESSURE TO THEIR BOTTOM LINE.

I URGE THE COMMITTEE TO PROTECT THOSE SMALL BUSINESSES IN MONTANA WORKING TO KEEP THEIR DOORS OPEN AND SERVE THE SMALL COMMUNITIES OF OUR STATE, GIVE SB 417 A DO NOT PASS RECOMMENDATION.

THANK YOU FOR THE OPPORTUNITY TO PROVIDE THIS TESTIMONY.

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 9

DATE 3/14/91

BILL NO. SB 417

page 2

Count breakdown by employees here

Local Employees	Interval Count	Cumulative Count	
15 - up	1,065	1,065	###
8 - 14	1,199	2,264	#####
7 - 7	368	2,632	#####
6 - 6	597	3,229	#####
5 - 5	909	4,138	#####
4 - 4	1,266	5,404	#####
3 - 3	2,139	7,543	#####
2 - 2	1,939	9,482	#####
1 - 1	1,296	10,778	#####
N.A.	328	11,106	#####

SENT BY: XEROX Telecopier 7017; 1-21-91 ; 4:33PM ;
1/21/91 Dun's Direct Access - Search Summary
4:40 pm Search ID: retail

61288556214

4064422633;# 4/ 7

Page: 1

page 3

----- Selectors -----

STATE MT

SIC 52 53 54 55 56 57 58 59

SALES 0..500000

EXCLUDE SITE BRANCH DIVISION

INCLUDE NOCED

----- Count 1/21/91 4:39 pm -----

7,751 records 1 sample

----- End of Search Summary -----

SENT BY: XEROX Telecopier 7017; 1-21-91 ; 4:34PM ;
1/21/91
4:40 pm

Dun's Direct Access - Search Summary
Search ID: retail

6128855621-

4064422633;# 5/7

Page 4

Count breakdown by sales volume

Sales Volume	Interval Count	Cumulative Count	
360.OK - 500.OK	808	808	####
260.OK - 360.OK	796	1,604	#####
220.OK - 260.OK	536	2,140	#####
170.OK - 220.OK	838	2,978	#####
140.OK - 170.OK	917	3,895	#####
110.OK - 140.OK	843	4,738	#####
90.OK - 110.OK	602	5,340	#####
60.OK - 90.OK	997	6,337	#####
40.OK - 60.OK	691	7,028	#####
1 - 40.OK	723	7,751	#####

----- Selectors -----

STATE MT
SIC 52 53 54 55 56 57 58 59
SALES 500001+
EXCLUDE SITE BRANCH DIVISION
INCLUDE NOCED

Page 5

----- Count 1/21/91 4:41 pm -----

1,841 records 1 sample

----- End of Search Summary -----

Count breakdown by sales volume *page 6*

Sales Volume	Interval Count	Cumulative Count	
4.0M - up	205	205	####
2.5M - 4.0M	131	336	#####
1.5M - 2.5M	250	586	#####
1.2M - 1.5M	136	722	#####
1.0M - 1.2M	174	896	#####
800.0K - 1.0M	247	1,143	#####
700.0K - 800.0K	148	1,291	#####
600.0K - 700.0K	226	1,517	#####
550.0K - 600.0K	97	1,614	#####
500.0K - 550.0K	227	1,841	#####

DATE 3-10-91

COMMITTEE ON

Labor - Senate

HB 187-HB 812-HB 857-SB 417

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Charles R. Brooks	MT RETAIL ASSOC	417		✓
Bob Nannmarken	SLETTEN CONSTRUCTION	187	✓	
Brendan Beatty	MT Assoc. of Realtors	417		✓
MICHAEL MIZENKO	MT STATE ASSO Plumbers & Pipefitters	187	✓	
Barbara McDaniel	Concord Citizens	187	✓	
Terry Minner	MFT / MFE	857	✓	
Jim Otterby	Operating Eng. #400	187	✓	
Wally & Craig	- self -	417		✓
Bill Mahan	Montana Metal Buildings	187	✓	
KEITH OLSON	MT Logging Assn.	812	✓	
JAMES TUTWILER	MT CHAMBER COM	SB417		✓
Curie Shotton	Bozeman Chamber	SB417		✓
CHUCK HUNTER	DOLI	HB812	✓	
Ken Moore	Helena Ministerial Assoc	SB417		✓
Kenneth W. Moore	Christian Churches in MT	SB417		✓
Egg Tent	MT St & Lysion	HB187	✓	
ARS ERICSON	MT CARPENTERS	HB187	✓	
SHARON MOWANAN	MONTANA IRONWORKERS UN	HB187	✓	
Jody Judge	MT. ST. AFL CIO	HB187	✓	
Kan N. James	IRONWORKERS #841	HB187	✓	
HARRY KENNEY	MT. ST. AFL-CIO	HB187	✓	
JOHN ALLEN	NATL. Elec. Contr. Assoc	"	✓	
Robert K. Murphy	LBFW	HB187	✓	
CAROL MOSHER	MT. CATTLEWOMEN	SB417		✓
GENE PHILLIPS	ALLIANCE AMER. INS			X
Lorna Frank	MT. Farm Bureau	SB417		X

(Please leave prepared statement with Secretary)

COMMITTEE ON

DATE

3/14/91

Senate Labor (cont'd)

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Kay Norenberg	WIFE	SB417		✓
CURT LANGEN	MT MOTOR CARRIER'S ASSN	HB812	✓	
Holden D. Jol	AFCME	HB187	✓	
DEWEY HALL	SELF	HB187	✓	
DEWEY HALL		HB875	✓	
Tom Harmon	Nat. Soc. of CPA	HB417		✓
Jim Murphy	State Travel	HB812	✓	
		HB417		x
Don Jude	MT STATE AFL-CIO	HB875 HB812	x	
Dewey Hall	SELF	HB812	x	
Pat Sweeney	STATE FUND	HB187		✓
Rob Heise	CLFCW	HB812 HB875	✓	
Jacqueline N. Terrell	Am. Ins. Assoc.	HB187		✓
Jacqueline N. Terrell	Am. Ins. Assoc.	SB417		✓
Jacqueline N. Terrell	Am. Ins. Assoc.	HB812	✓	

(Please leave prepared statement with Secretary)

Amendments to House Bill No. 187
Third Reading Copy

For the Senate Committee on Labor

Prepared by Eddye McClure
February 15, 1991

1. Page 5, lines 4 through 7.

Following: "any"

Strike: remainder of line 4 through "structure" on line 7

Insert: "the major group of general contractors and operative builders, heavy construction (other than building construction) contractors, and special trade contractors, listed in major groups 15 through 17 in the 1987 Standard Industrial Classification Manual. The term does not include office workers, design professionals, salesmen, estimators, or any other related employment that is not directly involved on a regular basis in the provision of physical labor at a construction or renovation site"

2. Page 15, line 2.

Following: line 1

Insert: "NEW SECTION. Section 11. Coordination instruction.

The definition of "construction industry" in [section 2(6) of this act] is intended to coordinate with the definitions of "construction industry" in House Bills No. 204 and 342."

Renumber: subsequent section