

MINUTES

MONTANA SENATE
54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON LABOR & EMPLOYMENT RELATIONS

Call to Order: By SENATOR TOM KEATING, on January 10, 1995, at
1:00 P.M.

ROLL CALL

Members Present:

Sen. Thomas F. Keating, Chairman (R)
Sen. Gary C. Aklestad, Vice Chairman (R)
Sen. Steve Benedict (R)
Sen. Larry L. Baer (R)
Sen. James H. "Jim" Burnett (R)
Sen. C.A. Casey Emerson (R)
Sen. Sue Bartlett (D)
Sen. Fred R. Van Valkenburg (D)
Sen. Bill Wilson (D)

Members Excused: Sen. Gary C. Aklestad, Vice Chairman
Sen. James H. "Jim" Burnett
Sen. Bill Wilson
Sen. Fred R. Van Valkenburg

Members Absent: There were no Senators absent.

Staff Present: Eddye McClure, Legislative Council
Mary Florence Erving, RRA, Committee Secretary

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

Committee Business Summary:

Hearing: No bills were heard.
Executive Action: SB 33

EXECUTIVE ACTION ON SB 33

Motion: SENATOR STEVE BENEDICT moved to AMEND SB 33.

Discussion: CHAIRMAN TOM KEATING defined the content of the state fund amendment, which reads: Page 1, line 15, following 1990, strike "and that are". Page 1, line 16, following: "source-", strike "." following "by Borrowing", strike: "The state shall borrow", and insert: ", by borrowing" The corrected sentence will read: The state fund shall pay for the cost of administering and paying claims for injuries resulting from accidents that occurred before July 1, 1990, and that are not covered by any other funding source by borrowing from the reserves accumulated from premiums paid to the State Fund...

Legislative Council, Eddy McClure explained the sentence will return to the original wordage. **CHAIRMAN KEATING** explained the correction process and stated, in essence, the committee is correcting a bill drafting error.

Motion/Vote:

Senator Benedict moved to AMEND SB 33.

Vote:

The motion to amend SB 33 CARRIED UNANIMOUSLY.

Discussion:

SENATOR BARTLETT questioned the fiscal note status. **CHAIRMAN KEATING** stated the fiscal note has been requested, but has not been delivered. **SENATOR BARTLETT** stated she was hesitant about taking any action without knowing the effect of the OFTF.

SENATOR KEATING stated the fiscal note will provide less information than the analysis sheet. The strategic information on the analysis sheet is itemized and, consequently, more complete. The most revenue that could possibly be raised by the \$25 minimum is \$2M. A portion of the \$2M will still be taxed, but the loss of revenue will never exceed \$2M per year, or \$2.5M, including tax. It is near impossible to estimate an exact tax loss.

SENATOR BARTLETT asked if information is available concerning the length of time needed to stay off the unfunded OFTA liability. **SENATOR BENEDICT** stated he questioned **Scott Seacat** concerning the 1993 Legislation, SB 504. The state is ahead of schedule due to more state payroll and the original projections are ahead of schedule. The State Fund may be back to the original time table projection date.

CHAIRMAN KEATING explained other factors will help retire the old debt. Besides revenues, claim settlements and claim withdrawals have substantially reduced the amount of unfunded liability. The state is still raising \$28M to \$30M per year from the payroll tax, plus the \$25 Minimum Tax for the unfunded liability.

CHAIRMAN KEATING stated Montana will probably see payroll grow, if Montana's economy holds.

CHAIRMAN KEATING asked what year the unfunded liability will be retired. **SENATOR BENEDICT** stated the year 2007 is the retirement date. If collections remained at the same levels, the retirement time would decrease, perhaps to the year 2005. The deterioration stopped in the Old Fund.

SENATOR BARTLETT asked for the projection level of the unfunded liability. **CHAIRMAN KEATING** asked if the \$460M includes bonding. The fund still has approximately \$140M worth of bonds. The \$600M

was between the bond and liability, but questioned whether the bonds were a part of the \$460M. **CHAIRMAN KEATING** stated he understood the Old Fund Liability was down considerably, two thirds of the previous amount.

SENATOR BENEDICT asked **SENATOR BARTLETT** if she preferred to postpone Executive Action until more data is available. **SENATOR BARTLETT** agreed to the delay. **SENATOR EMERSON** stated tort reform may change the Old Fund Liability after the session due to medical costs, etc.

CHAIRMAN KEATING agreed to wait before taking action on SB 33. The principal question is not that SB 33 will substantially impact the work compensation Old Fund Liability, but rather the question is a principal of taxation. **CHAIRMAN KEATING** deferred further action until the fiscal note and additional information is available.

Motion:

SENATOR BENEDICT moved to withdraw the Motion on the bill AS AMENDED. **CHAIRMAN KEATING** stated when bill action ceases all amendments are dropped and the committee starts over.

Discussion:

SENATOR BARTLETT asked **Mark Berry, State Fund, Vice President of Finance**, to speak on the topic of unfunded liability. **Mr. Berry** stated at the end of FY 94, the unfunded claims liability, the Old Fund claims, was \$339M. The 1991 long term bond debt liability was \$134.4M. The variable note bonds were \$32.5M, and the total unfunded liability was \$471M. As of December 31, 1994, the estimated unfunded claims are 322M. The money amounts were estimated by the State Fund actuary, and the department has not been able to adjust the amount downward. Currently, State Fund is attempting to project when the cash payout can be paid. State Fund staff estimate the amount is no where near \$322M. At this point, State Fund is going with the actuarial numbers.

SENATOR BENEDICT asked if information is available concerning the OFLT and how the unfunded liability is being handed. **Mr. Berry** replied in January the State Fund projected the cash balance at the end of the year will exceed \$25M. State Fund is finalizing data to present to the January 17, 1994 board meeting. Currently, State Fund is projecting FY 95 cash balance to be \$17M. The FY 96 & FY 97 amounts will exceed the \$25M and will affect the tax rate. The question is asked: Does State Fund affect the tax rate of does the State Fund reduce the bond debt. Excess money goes to pay off short term variables.

SENATOR BENEDICT stated he carried SB 504 in the 1993 session. **SENATOR BENEDICT** explained the 1993 Legislature had foresight to accommodate the fact the 1995 Legislature could be under the \$25M

threshold, so the language in the bill was edited in 1993 to allow the debt to be paid.

Mr. Berry stated to date the claims liability probable number is 2,992, which are the number of claims remaining in the Old Fund. State Fund is now trying to settle claims, but the remaining claims, such as life time medical, are harder to close.

SENATOR EMERSON asked **Mr. Berry** to explain the outstanding debt. **Mr. Berry** stated the finance department has tried to analyze claim types according to whether or not the disability claims are permanent or partial. The State Fund can then determine where the cash is going. Hopefully, information will be available during the 1995 Session.

CHAIRMAN KEATING asked what is the annual revenue generated from the payroll tax and old fund liability tax. **Mr. Berry** stated the total SB 94 amount is \$43.9M. Current year projection is in excess of \$48M. Numbers are from the budget office; Dan Gangler is providing the numbers. The numbers will go up substantially after that, since the department is adding the projected payroll growth. **CHAIRMAN KEATING** asked if the rate has increased. **Mr. Berry** confirmed the rate has not increased. The 1% was for one half year, so the 2% is for the full year.

CHAIRMAN KEATING asked if the revenue services the debt. **Mr. Berry** stated current projections concerning claims (cash) payment for this year are approximately \$23.3M. Old Fund Liability administrative cost is conservatively estimated at \$3M. Bond debt is \$11.3M, including principal and interest. Short term notes are monthly interest payments. Estimated interest payment for the current year is \$1.36M. Total revenue, including the \$48M will more than offset the medical gap requirements. Old Fund claims payments are not considered debt because the claim were already there. **CHAIRMAN KEATING** questioned if the new fund is profitable, the new profit may go to help retire the Old Fund. **Mr. Berry** stated his understanding of the law is, if the State Fund declares a dividend, the dividend first goes to debt retirement.

CHAIRMAN KEATING questioned **SENATOR BARTLETT** if she is satisfied with the numbers and explanations presented. **SENATOR BARTLETT** replied she was satisfied.

Motion:

SENATOR BENEDICT withdrew his motion to WITHDRAW.

Vote:

CHAIRMAN KEATING stated SB 33, as AMENDED DO PASS

SENATOR BENEDICT moved SB 33 DO PASS AS AMENDED

Motion/Vote:


The Do Pass as Amended motion for SB 33 carried unanimously.

ADJOURNMENT

Adjournment: The hearing adjourned at 1:26 p.m.



SENATOR TOM KEATING, Chairman



MARY FLORENCE ERVING, Secretary

TK/mfe

ROLL CALL

DATE _____

January 10, 1995

[illegible]


SEN:1995
wp.rollcall.man
CS-09

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
January 11, 1995

MR. PRESIDENT:

We, your committee on Labor and Employment Relations having had under consideration SB 33 (first reading copy -- white), respectfully report that SB 33 be amended as follows and as so amended do pass.

Signed: 
Senator Thomas F. Keating, Chair

That such amendments read:

1. Page 1, line 15.

Following: "1990,"

Strike: "and that are"

2. Page 1, line 16.

Following: "source,"


Strike: "._"

Following: "~~by borrowing~~"

Strike: "The state shall borrow"

Insert: ", by borrowing"

-END-

 Amd. Coord.
ST Sec. of Senate

091024SC.SPV

DATE January 10, 1995

SENATE COMMITTEE ON Labor + Employment Relations

BILLS BEING HEARD TODAY: Executive Action SB 33

PLEASE PRINT

 \angle  \angle

Check One

[illegible]

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY