MINUTES

MONTANA HOUSE OF REPRESENTATIVES
54th LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT & TRANSPORTATION

Call to Order: By **CHAIRMAN ED GRADY**, on January 30, 1995, at 10:13 a.m.

ROLL CALL

Members Present:
Rep. Edward J. "Ed" Grady, Chairman (R)
Sen. Thomas A. "Tom" Beck, Vice Chairman (R)
Rep. Gary Feland (R)
Sen. Eve Franklin (D)
Rep. Joe Quilici (D)

Members Excused: None

Members Absent: None

Staff Present: Terri Perrigo, Legislative Fiscal Analyst
Dan Gengler, Office of Budget & Program Planning
Rosa Fields, Committee Secretary

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

Committee Business Summary:
Hearing: Department of Administration/State Fund - Loss Prevention Division
Executive Action: None

Tape 1 - Side A

Discussion on Subcommittee Business

Ms. Terri Perrigo, Legislative Fiscal Analyst (LFA), explained that there were going to be some county commissioners and other county representatives who would like to testify at the Department of Transportation hearing. **CHAIRMAN ED GRADY** suggested that two additional days be given for the department.

CHAIRMAN GRADY said that the subcommittee would be meeting again on Tuesday, January 31, 1995 with the Department of Administration to discuss the Appellate Defender Program and personal service contingency, but wondered if the committee would like to wait on those two issues.

REP. QUILICI said that the subcommittee had heard both programs and probably had enough information, but thought it would be in the best interest of the agencies and the subcommittee to meet again and get some additional answers. **CHAIRMAN GRADY** agreed with **REP. QUILICI.**

Mr. Dan Gengler, Office of Budget and Program Planning (OBPP), said that **CHAIRMAN GRADY** wanted to know what impact the subcommittee's requirements had on the agencies they have heard so far. **CHAIRMAN GRADY** responded that he would rather wait until the following day to hear that information.

SEN. BECK commented that he felt the Appellate Defender Court had to wait a little longer before they made a decision. **CHAIRMAN GRADY** said that the subcommittee could decide when they were ready.

CHAIRMAN GRADY informed the subcommittee that they would be starting off with State Fund and then **Mr. Gengler** would discuss some items with the committee. **Ms. Perrigo** handed out some information pertaining to the Governor's budget.

{Tape: 1; Side: A; Approx. Counter: 107.}

HEARING ON THE DEPARTMENT OF ADMINISTRATION STATE FUND

Informational Testimony:

Mr. Carl Swanson, President of State Fund introduced two colleagues, **Mr. Mark Barry, Vice-President of Administration** and **Ms. Aidan Myhre, Director of Administrative Consumer Affairs. Mr. Swanson** provided on overview and discussed some of the issues with State Fund and Workers' Compensation. He mentioned projects that were underway and said that FY94 was a year of rebuilding, refocusing, and setting new directions for the State Fund. In April of 1994 they began writing a Strategic Business Plan. The purpose of this plan was to define issues and develop solutions, lay out clear and concise actions, and provide a mechanism to evaluate how the State Fund has met its strategic goals and objectives. **EXHIBIT 1**

{Tape: 1; Side: A; Approx. Counter: 545}

REP. FELAND commented that employers have no input when workers make complaints, and with his past experience with Workers' Compensation, having been a businessman for 20 years, he said that Workers' Compensation doesn't handle employers' injury. He said if an employee gets hurt on the job, the employer can't say anything about it. The employee could have gotten hurt on another job and claimed it happened somewhere else. As a businessman, he might know nothing about it. He said rather than go through the hassle, it's just easier to get out of it.

Mr. Swanson said they have heard from State Fund customers that they made significant progress in 1994. **Mr. Swanson** has letters from customers that have left State Fund who are reconsidering and complaining because private insurance doesn't have an 800 number where they can report claims and that there is premium fraud going on. The reason he knows is because they have fraud convictions and they didn't have the capability in the past to detect such fraud. One of the things they're emphasizing is the partnership and dialogue between State Fund and their employees, and said that employees should be involved in the process.

REP. QUILICI commented that what "red flags" the subcommittee is when an agency presents this budget and they have an additional 19.0 FTE and then a decrease of 3.0 FTE in FY97. Once the agency implements and develops a system, he wondered why it still takes 16 FTE to run the system. **Mr. Swanson** stated that the FTE were put on this year in the budgeting process and they don't have anything to do with the benefit information system. They put claims staff where they need them without having to do reductions at the end of the year. **Mr. Swanson** presented to the board a comparison of the Montana State Fund with other state fund programs from other states. State Fund of Montana looked at the staffing level, and many kinds of operating and expense ratios.

{Tape: 1; Side: B; Approx. Counter: 12; Comments: None.}

Mr. Swanson commented that last year the legislature took State Fund out of the budgets. What the legislation did was align Montana with other State Fund operations. There are now 26 state funds, six established in the last couple of years in the U.S. State Fund is moving in the direction of being able to run their operation like an insurance business. One of the most important pieces of legislation that passed last session, besides working on managed care and fraud issues, was the Safety Culture Act. He said this was very significant because the legislature gave State Fund the tools to be successful to do their part in driving rates down by running an efficient and effective organization, and to be accountable for it in the form of a business plan with measurable criteria. The benefit information system is costing $4.5 million, which is increasing efficiency through technology. **Mr. Swanson** stated that the Montana State Fund operating expense ratio of premium-to-expenses is among the lowest in the nation of all state funds.

{Tape: 1; Side: B; Approx. Counter: 078.}

Loss Prevention Division

Mr. Swanson gave a brief explanation of the Loss Prevention Division. **EXHIBIT 1; Page** *iii to v.*

The ratio for State Fund operating expenses-to-premium revenue for FY95 is 11.9%, which is among the lowest in the country. Montana has a statutory cap on expenditures of no more than 15%. For FY96, the operating expense ratio is estimated at 11.6%, which does not include adjustments to capitalization and depreciation on equipment. If they did, the ratio would be lower. **Mr. Swanson** stated that State Fund re-analyze their ultimate liability on a monthly basis. They run their business on a daily basis instead of waiting until the end of the year to review the financial statement.

An Old Fund action plan has been initiated consisting of 2,990 cases. The attention has not been there in prior years, so they formed a unit staffed with some of the more experienced claims adjusters. They have developed an action plan to focus on these Old Fund claims.

State Fund has a mandate for a 25% surplus, and they need to retain their costumer base. State Fund cannot be successful unless they compete for the larger and more profitable business. When they look at policy holders $2,500 and less on a five-year basis, they have significant unprofitability. A bill, sponsored by **REP. DAVID EWER**, would allow the Board of Investments to invest 15% of their reserves in equities. What State Fund is requesting through the bill is to align themselves with what Montana statutes indicate currently about domestic insurance domestic carriers. Domestic carriers are allowed to have 10% of their reserve in private corporate stocks and 5% mutual funds for a total of 15%, so it's a limited amount of investment in equities. The State Fund of Montana return of investment is lower than other state funds. A 1% return investment increase can impact rates by approximately 3%, and that's one of the reasons for the bill.

Mr. Swanson stated his appreciation for the support they've received from the legislature.

{Tape: 1; Side: B; Approx. Counter: 463.}

<u>Questions From Subcommittee Members and Responses</u>:

SEN. FRANKLIN said that she wanted to know more about the managed care program. She stated that when it started in 1993 one of the ironies was that even though there was structure in place, no one in the state was doing managed care from an occupational standpoint, so the health care community really had to scramble to provide managed care services. **Mr. Swanson** explained that there was a lot of work done in 1994 in this area to establish an existing structure. Their structure is unique because insurance companies contract with the managed care organizations, and they need to uphold the quality standard of care they agree to in the contract. State Fund currently has signed four such contracts.

SEN. FRANKLIN asked which entities have contracts with State Fund. **Mr. Swanson** replied that they have two plans, and a Request for Proposal (RFP) for sole source contracts in a couple of geographical areas in the state. Plan B is where any NCO that is certified by the Department of Labor goes to State Fund and is able to participate in Plan B. Billings, Kalispell, Missoula, and Helena are the cities that will participate.

REP. QUILICI said there was a report issued about three years ago by the National Conference of State Legislators (NCSL) about how prudent investment had helped lower premium prices for employers.

He was just wondering how State Fund got together with the Board of Investments. **Mr. Swanson** stated that the Board of Investments was the one who did all the investments, but State Fund is in dialogue with them and they are looking at their assets for capital needs. The plan and the understanding between the Board of Investments and State Fund is that it will be moving to longer term investments. Since the investment picture has changed, there is increased dialogue and the two organizations are meeting more often. **Mr. Swanson** said he understood this did not happen very often in the past.

CHAIRMAN GRADY stated that it seemed a little odd that the State Fund is looking to invest money with the extra they have and he said he didn't understand why they aren't considering lowering the premiums instead. **Mr. Swanson** explained that the money he was referring to is already accounted for. The money they will be spending on existing claims they know they currently have. It's the future value of their claims. One of the reasons they have an unfunded liability is because the reserves were inadequate.

SEN. FRANKLIN asked if **Mr. Swanson** could talk about claims adjusters.

{Tape: 2; Side: A; Approx. Counter: 0.}

Mr. Swanson explained that claims adjusters come to the State Fund from insurance companies and have prior claims adjusting experience, typically with medical providers or hospitals, although some also have a legal background. State Fund then puts them through a training program.

SEN. FRANKLIN asked what actually happens to a claim, and how does it move through the system. **Mr. Swanson** stated that it was difficult because it all depends on the severity of a claim. State Fund averages about 21,000 claims a year, and about 25% of those are wage loss claims. Medical claims may be of a very short duration, while wage loss claims are more severe and take longer. At some point, the employee with the wage loss claim goes back to work, and that's the main focus of the Strategic Business Plan. **Mr. Swanson** said 88% of Idaho's injured workers returned to their jobs and that's what the State Fund in Montana is working toward.

SEN. FRANKLIN asked **Mr. Swanson** if he saw any changes in the job description of a claims adjusters and he replied that he did.

SEN. FRANKLIN asked if claims adjusters follow one case throughout the lifetime of a case or does it go from worker to worker. **Mr. Swanson** responded that claims adjusters are accountable for the life of the claim.

CHAIRMAN GRADY asked if State Fund had any type of re-training program for employees. **Mr. Swanson** said they do. The State Fund helps employees with resumes and on learning computer skills.

{Tape: 2; Side: A; Approx. Counter: 339.}

Mr. Swanson gave a brief explanation of the departments in the State Fund. **EXHIBIT 2**

{Tape: 2; Side: A; Approx. Counter:292.}

REP. QUILICI asked if stress was an eligible claim for workers' compensation. **Mr. Swanson** responded that he wasn't sure, but he didn't believe it is.

CHAIRMAN GRADY asked if they had to take any psychiatric claims. **Ms. Myhre** stated that stress has to be accompanied by a physical injury in order for it to be evaluated.

SEN. BECK asked if Montana pays a higher wage loss than other states. **Mr. Swanson** said that the State Fund was adding some significant costs to the Montana system in the areas of age, education, physical description, and some rehabilitation provisions they are planning. He referred to the case study (see Exhibit 1).

{Tape: 2; Side: B; Approx. Counter: 669.}

SEN. BECK asked if there was anything going on in the legislative session that would make the rates more competitive. **Ms. Myhre** said that there were, and one of the things is to get the public's trust back by focusing more on wage loss.

REP. FELAND asked what the time limit on training people was. **Ms. Myhre** said that the training time could last two years.

SEN. BECK asked if the employee isn't qualified to start in the rehabilitation program that they originally started, could they go and train in another field, in other words, get rehabilitated in a new profession. **Ms. Myhre** said only if the employee got re-injured.

REP. FELAND stated that one of the things that happens is that workers' compensation doesn't deal with an injured worker that comes in with a permanent claim. He feels that's been a big break because they don't really deal in good faith with the employees, so they hire an attorney and get a couple of millions when they could of settled for $100,000.

{Tape: 2; Side: B; Approx. Counter: 108}

Mr. Gengler talked about the Old Range State Fund and Old Fund Liability Tax (OFLT) Projections. He stated that there were four agencies involved:

1. State Fund, who administers the claims
2. Department of Revenue, who collects the Old Fund Liability Tax
3. Board of Investments, who handles some of the financial affairs
4. Budget Office, who has statutory responsibilities

The statutory responsibilities that OBPP has is to certify to the Board of Investments if any additional borrowing is necessary for the Old Fund. OBPP does not anticipate that the State Fund will require any more borrowing for Old Fund purposes. The second responsibility OBPP has is to certify the OFLT rates to the Department of Revenue.

The cash balance in the Old Fund at the end of FY94 was $10 million, the claims expenditures are going down, and the revenue from the OFLT, which is the sole source of funding, is growing.

In FY95, OBPP expects the cash balances to be increased by another $7 million to $8 million, for a projected cash balance of $17 million by the end of FY95.

{Tape: 2; Side: B; Approx. Counter: 269.}

Mr. Gengler explained the Old Fund and the OFLT projections. **EXHIBIT 3**

{Tape: 2; Side: B; Approx. Counter: 393.}

REP. QUILICI asked how quickly the Old Fund Liability Tax would be paid off if OFLT rates were increased. **Mr. Gengler** said if they accelerate the retirement of the debt, the tax would end much sooner then it would otherwise and the savings would be very significant. Alternatively, they could allow the tax rate to trickle down sooner by paying a little bit more now, but in the long run it would save a lot of money.

SEN. BECK commented that everybody was paying the OFLT--the self-employed, employees and employers. If they drop the rates slowly each year, the employer will be paying to the year 2014, but the employee and the self-employed would be out of the schedule by the year 2000.

Mr. Gengler said that was correct and the reason is because of the way the law is written. If the Old Fund cash balance is $25 million, then every year the rates drop by 5/100%. Since employees and the self-employed are at .2%, it would take four years to get down to zero. For employers, the way the law is written they would go down 5/100% until they get to .3%. Then the next year they would revert back to the original .28% that was in effect prior to HB 504.

REP. QUILICI asked how HB 504 affected the $25 minimum charge that workers' compensation has. **Mr. Gengler** stated that the impact on HB 504 was already in the figures he talked about (see Exhibit 3). The fiscal impact on the bill was about $1.3 million less per year, but it's not terribly significant so there will still be lots of money left over even if the bill doesn't pass.

SEN. BECK said that would just cut down the surplus ($1.3 million). He asked if they were going by the $8 million surplus. **Mr. Gengler** stated that in this fiscal year they anticipate adding another $7 million to $8 million. **Mr. Gengler** also stated that the surplus would keep growing.

SEN. BECK asked if it would take legislation to do that. **Mr. Gengler** stated that OBPP hadn't sorted through all the issues, but at this point they don't think so. There is a question that if they pay down some of the debt, will they be setting it aside with an escrow agent who then invests it and uses it to pay bonds when they're due. If the amount of money in escrow doesn't count toward the $25 million threshhold then they could do without any legislation. If they are unable to do that, then the legislation would be required.

SEN. BECK asked if OBPP saw a problem for the next biennium where they would get to $25 million and have to reduce rates. **Mr. Gengler** stated that would occur in FY97.

CHAIRMAN GRADY stated that if anyone from the subcommittee wanted to contact State Fund, they could talk to **Mr Swanson.**

{Tape: 2; Side: B; Approx. Counter: 817.}

ADJOURNMENT

Adjournment: 12:11 p.m.

Ed Grady

ED GRADY, Chairman

P. Borneman

for CLAUDIA JOHNSON, Recording Secretary

ED/rf

Note: These minutes were edited by Terri Perrigo, LFA.

EXHIBIT 1
DATE 1-30-95
HB State Fund

STATE COMPENSATION INSURANCE FUND

STRATEGIC BUSINESS PLAN

The original of this document is stored at the Historical Society at 225 North Roberts Street, Helena, MT 59620-1201. The phone number is 444-2694.

5 South Last Chance Gulch
PO Box 4759
Helena, MT 59604

JUNE 1994

State Compensation Insurance Fund
Organizational Chart FY 95
President's and Vice President's Direct Reports

EXHIBIT 2
DATE 1-30-95
HB State Fund

- **Carl Swanson** — *President of State Fund* — Position #: 10001; Grade: E; Date Hired: 1/3/94; Date in Job: 1/3/94
  - **Aidan Myhre** — *Industry & Consumer Affairs Director* — Position #: 10002; Grade: E; Date Hired: 10/26/94; Date in Job: 10/26/94
  - **Bill Visser** — *Fraud Coordinator* — Position #: 10030; Grade: 34; Date Hired: 9/12/79; Date in Job: 7/1/93
  - **Linda Goan** — *Executive Assistant* — Position #: 10017; Grade: 31; Date Hired: 11/7/94; Date in Job: 11/7/94
  - **Shawn Bubb** — *Internal Auditor* — Position #: 10016; Grade: 33; Date Hired: 10/17/94; Date in Job: 10/17/94
  - **Nancy Butler** — *Vice President Legal* — Position #: 40001; Grade: E; Date Hired: 5/8/84; Date in Job: 12/19/88
  - **Christy Weikart** — *Acting, Vice President Underwriting* — Position #: 30001; Grade: E; Date Hired: 6/20/90; Date in Job: 1/1/95
    - **Christy Weikart** — *Director of Special Projects* — Position #: 30002; Grade: 41; Date Hired: 6/20/90; Date in Job: 12/27/93
    - **Bryan Moran** * — *Director of Policy Services* — Position #: 30029; Grade: 40; Date Hired: 11/18/94; Date in Job: 11/28/94
  - **Jim McCluskey** * — *Vice President Claim* — Position #: 20001; Grade: E; Date Hired: 7/5/94; Date in Job: 7/5/94
    - **Chuck Driscoll** * — *Claim Manager* — Position #: 20003; Grade: 34; Date Hired: 10/17/94; Date in Job: 10/17/94
    - **Paul Bogumill** — *Medical Benefits Manager* — Position #: 20110; Grade: 34; Date Hired: 6/13/90; Date in Job: 7/1/93
  - **Mark Barry** — *Vice President Admin & Finance* — Position #: 50001; Grade: E; Date Hired: 4/18/94; Date in Job: 4/18/94
    - **Ed Binkley** * — *Financial Reporting Officer* — Position #: 50002; Grade: 40; Date Hired: 12/12/94; Date in Job: 12/12/94
    - **John Wilkins** — *Budget Director* — Position #: 50044; Grade: 40; Date Hired: 12/1/92; Date in Job: 12/1/92
    - **Marvin Kraft** — *Admin Services Director* — Position #: 50026; Grade: 40; Date Hired: 3/15/84; Date in Job: 5/22/89
    - **Lynn Donnelly** — *Fiscal Operations Officer* — Position #: 50045; Grade: 40; Date Hired: 4/18/90; Date in Job: 12/15/94
  - **Judy Simpson** — *Vice President Mgmt Info Services* — Position #: 70007; Grade: E; Date Hired: 8/31/73; Date in Job: 7/6/81
    - **Jeff Holm** — *Program/System Analysis Director* — Position #: 70001; Grade: 41; Date Hired: 11/4/91; Date in Job: 11/4/91
    - **Tor Gudmundsen** — *System Admin Director* — Position #: 70015; Grade: 40; Date Hired: 8/13/90; Date in Job: 3/23/92
  - **Joanne Shydian** — *Vice President Human Resources* — Position #: 60001; Grade: E; Date Hired: 9/6/94; Date in Job: 9/6/94
    - **Debbie Svaldi** — *Human Resources Manager* — Position #: 60002; Grade: 33; Date Hired: 5/3/76; Date in Job: 7/3/89
  - **Azmi Salaymeh** * — *Vice President Loss Control & Prem. Au* — Position #: 80001; Grade: E; Date Hired: 9/26/94; Date in Job: 9/26/94
    - **Wayne Dillavou** — *Loss Control Director* — Position #: 80004; Grade: 40; Date Hired: 12/21/93; Date in Job: 12/21/93

*Hired from outside Montana

Jim McCluskey joins the Montana State Fund as the Vice President of Benefits. Jim has16 years of claims experience and 14 years with the Utah State Fund as the Claims manager. While in Utah, Jim played a leadership role in the creation of a Fraud unit, development of a program to improve medical payment processing time, medical cost containment and PPO programs, and a third party recovery program. Jim has his Masters in Business Administration from Westminster College in Utah and a B.A. from Central Michigan University.

Azmi Salaymeh was hired as the Vice President of Loss Control and Premium Audit. Azmi has held a variety of positions with USF&G Insurance Company over the last 16 years. He brings to the State Fund a unique and customer focused workers' compensation perspective to both loss control and premium audit. Azmi has worked in several western states, including Colorado, California, Oregon and Washington. He received his M.S. in Industrial Safety from Central Missouri State University and his B.S. from Mankato State University.

Bryan Moran is the Director of Policy Services under acting Vice-president, Christy Weikart. Bryan comes from the American Governmental Risk and Insurance Programs, Inc. (AmGrip), out of Houston, Texas where he served as underwriter. Bryan has held positions as Rate Analyst for the Ranger Insurance Co. and handled the Commercial Line Rating for the Northwestern National Insurance Company out of Des Moines, Iowa. Bryan is responsible for the development of a customer focused Policyholder Services Unit.

Chuck Driscoll, the Claims manager was also hired from the Utah State Fund where he was a Senior Claims Adjustor. Prior to that, Chuck was a Job Analyst with Job Analysis, owner and senior adjustor with Cal-State Adjustors, and owner of Eagle Consulting.

Ed Binkley is the Financial Reporting officer in the Administration and Finance Department under Mark Barry. Ed was previously with Anthem Personal Insurance for 20 years. During that time, Ed was the Accounting Manager/Controller, Manager of Financial Accounting, and Assistant Accounting Manager.

EXHIBIT 2
DATE 1-30-95

INFORMATION ON STATE FUND MANAGEMENT PAY LEVELS

STATE FUND SALARY SCHEDULES – 1993 through 1995

The following salary schedule comes from the labor contract between the MT Public Employees Association. The equivalent state employee grade category has been added for informational purposes only.

The following salary schedule pertains to all bargaining unit positions at the State Fund.

		95% Entry Rate		100% Rate (After 6 Months)	
State Fund Grade	Equivalent State Grade*	Annual Wage	Hourly Wage	Annual Wage	Hourly Wage
24	7	14,387	6.917	15,144	7.281
25	8	15,170	7.293	15,968	7.677
26	9	16,015	7.700	16,858	8.105
27	10	16,954	8.151	17,846	8.580
28	11	17,982	8.645	18,928	9.100
29	11	19,175	9.219	20,184	9.704
30	12	20,600	9.904	21,684	10.425
31	13	22,975	11.046	24,184	11.627
32	14	24,874	11.959	26,183	12.588
33	16	27,725	13.329	29,184	14.031

*Equivalent State Grade is based on closest entry level hourly wage.

The following salary scehdule is for all non–bargaining unit positions at the State Fund

33	16	27,725	13.329	29,184	14.031
34	18	34,377	16.527	36,184	17.396
40	16	28,500	13.702	30,000	14.423
41	18	33,250	15.986	35,000	16.827

The non–bargaining unit grades 33 and 34 reflect supervisory and management positions.
The grades 40 and 41 reflect policy and administrative oriented positions.

The following salary schedule is for all grade exempt positions (as of 1/20/95)
These positions serve at the pleasure of the Board of Directors and/or the President.
Salaries for these positions established upon appointment.

Position Number	Annual Salary
Executive Office	
10001	81,047
10002	42,122
10016	29,509
10017	23,321
10030	37,057
Claims Department	
20001	56,435
20003	36,727
20110	36,727
Underwriting	
30001	48,323
30002	39,106
30029	35,524
Legal	
40001	48,323
Administration	
50001	45,677
50002	37,047
50026	33,619
50044	34,382
50045	33,711
Human Resources	
60001	45,852
60002	34,297
Management Information	
70001	38,850
70007	48,214
70015	35,268
Loss Control	
80001	45,845
80004	35,526

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EXHIBIT 3
DATE 1-30-95
HB State Fund

DRAFT COPY
Discussion Purposes Only

Long Range Old Fund/OFLT Projections

OBPP Projections Under 'Plausible Scenario Assumptions' 28-Jan-95
(All Figures in $Millions)

NO ACCELERATED DEBT SERVICE

Total Payroll Tax	567.891
Total Debt Service	342.918
Debt Repayment Date	FY 2020
OFLT Trigger-Down Date	FY 1997
OFLT Termination Date	FY 2015

	ANNUAL RECEIPTS							ANNUAL OUTLAYS								ACCOUNT BALANCES				
											1991 Payroll Tax Bonds			1993 Variable Notes						
Fiscal Year	Emplyr Rate	Emplyee Rate	Self-Emply Rate	Emplyr Pyrll OFLT Cash Receipts	Emplyee Pyrll OFLT Cash Receipts	Self-Emply OFLT Cash Receipts	Total Cash OFLT Receipts	Claims/ ALAE	ULAE	OFLT Admin	Defease	Principal	Interest	Principal	Interest	Old Fund Balance	Debt Reserves	1991 Bonds LT Debts Pybl	1993 Notes Current Pybl	Variable Rates
1994																10.251	14.168	134.115	32.500	
1995	0.50%	0.20%	0.20%	29.248	11.699	4.615	45.562	23.303	3.000	0.490	0.000	2.100	9.220	0.000	1.307	17.621	14.168	132.015	32.500	4.02%
1996	0.50%	0.20%	0.20%	31.194	12.478	4.803	48.475	19.318	3.000	0.600	0.000	2.244	9.076	0.794	1.394	31.374	14.168	129.771	31.706	4.29%
1997	0.45%	0.15%	0.15%	32.729	13.091	4.562	50.382	15.455	3.000	0.600	0.000	2.398	8.922	0.760	1.427	51.756	14.168	127.373	30.946	4.50%
1998	0.40%	0.10%	0.10%	26.968	6.742	2.349	36.060	12.618	2.449	0.618	0.000	2.563	8.757	0.795	1.393	62.331	14.168	124.810	30.151	4.50%
1999	0.35%	0.05%	0.05%	24.305	3.472	1.210	28.987	13.109	2.545	0.637	0.000	2.739	8.581	0.830	1.357	65.824	14.168	122.071	29.321	4.50%
2000	0.28%	0.00%	0.00%	20.028	0.000	0.000	20.028	11.142	2.163	0.656	0.000	2.928	8.392	0.868	1.319	62.884	14.168	119.143	28.453	4.50%
2001	0.28%	0.00%	0.00%	20.628	0.000	0.000	20.628	10.010	1.943	0.675	0.000	3.129	8.191	0.907	1.280	61.710	14.168	116.014	27.546	4.50%
2002	0.28%	0.00%	0.00%	21.247	0.000	0.000	21.247	9.009	1.749	0.696	0.000	3.344	7.976	0.948	1.240	62.265	14.168	112.670	26.598	4.50%
2003	0.28%	0.00%	0.00%	21.885	0.000	0.000	21.885	8.108	1.574	0.716	0.000	3.574	7.746	0.990	1.197	64.544	14.168	109.096	25.608	4.50%
2004	0.28%	0.00%	0.00%	22.541	0.000	0.000	22.541	7.297	1.416	0.738	0.000	3.820	7.500	1.035	1.152	68.554	14.168	105.276	24.573	4.50%
2005	0.28%	0.00%	0.00%	23.217	0.000	0.000	23.217	6.921	1.343	0.760	0.000	4.082	7.238	1.081	1.106	73.892	14.168	101.194	23.492	4.50%
2006	0.28%	0.00%	0.00%	23.914	0.000	0.000	23.914	6.575	1.276	0.783	0.000	4.363	6.957	1.130	1.057	80.618	14.168	96.831	22.362	4.50%
2007	0.28%	0.00%	0.00%	24.631	0.000	0.000	24.631	6.246	1.212	0.806	0.000	4.663	6.657	1.181	1.006	88.809	14.168	92.168	21.181	4.50%
2008	0.28%	0.00%	0.00%	25.370	0.000	0.000	25.370	6.116	1.187	0.831	0.000	4.983	6.337	1.234	0.953	98.331	14.168	87.185	19.947	4.50%
2009	0.28%	0.00%	0.00%	26.131	0.000	0.000	26.131	5.994	1.164	0.855	0.000	5.326	5.994	1.290	0.898	109.270	14.168	81.859	18.657	4.50%
2010	0.28%	0.00%	0.00%	26.915	0.000	0.000	26.915	5.874	1.140	0.881	0.000	5.692	5.628	1.348	0.840	121.726	14.168	76.167	17.309	4.50%
2011	0.28%	0.00%	0.00%	27.723	0.000	0.000	27.723	5.756	1.117	0.908	0.000	6.084	5.236	1.408	0.779	135.805	14.168	70.083	15.901	4.50%
2012	0.28%	0.00%	0.00%	28.554	0.000	0.000	28.554	5.697	1.106	0.935	0.000	6.502	4.818	1.472	0.716	151.550	14.168	63.581	14.429	4.50%
2013	0.28%	0.00%	0.00%	29.411	0.000	0.000	29.411	5.640	1.095	0.963	0.000	6.949	4.371	1.538	0.649	169.078	14.168	56.632	12.891	4.50%
2014	0.15%	0.00%	0.00%	16.229	0.000	0.000	16.229	5.584	1.084	0.992	0.000	7.427	3.893	1.607	0.580	174.448	14.168	49.205	11.284	4.50%
2015	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000	5.528	1.073	0.000	0.000	7.937	3.383	1.679	0.508	164.949	14.168	41.268	9.605	4.50%
2016	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000	5.473	1.062	0.000	0.000	8.483	2.837	1.755	0.432	154.982	14.168	32.765	7.850	4.50%
2017	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000	5.418	1.052	0.000	0.000	9.066	2.254	1.834	0.353	144.520	14.168	23.719	6.016	4.50%
2018	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000	5.364	1.041	0.000	0.000	9.689	1.631	1.917	0.271	133.534	14.168	14.030	4.099	4.50%
2019	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000	5.310	1.031	0.000	0.000	10.355	0.965	2.003	0.184	121.994	14.168	3.675	2.096	4.50%
2020	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000	122.621	10.000	0.000	0.000	3.675	0.253	2.096	0.094	5.082	0.000	0.000	0.000	4.50%
Multi-Year Totals				502.669	47.483	17.539	567.891	339.486	49.823	15.139	0.000	134.115	152.813	32.500	23.491					

Note:
Projection model represents a 'plausible scenario' given a number of tenuous assumptions regarding claims payouts, revenue base growth, management of debt, and future revisions in current law. The projection model approximates known factors such as debt service on the 1991 payroll tax bond issue, deposit of investment earnings to old fund accounts, cash to revenue ratios, and cash lags caused by tax rate 'trigger-downs'.

Major Technical Assumptions:

(a) 1993 variable notes structured similar to debt service schedule for 1991 bonds.
(b) Annual claims outlays FY 1995-2019 based on State Fund staff judgements regarding claims 'decay'. FY 2020 assumes the balance of current actuarially estimated total ultimate liabilities, plus an additional 10 years claims runoff at $1 million per year ULAE. ULAE 'decays' at similar rate for claims.
(c) Tax exempt short term interest rates would be 80% of taxable rates.
(d) Old fund working cash balance maintained at minimum $15-20 million.
(e) Debt service reserves revert to old fund upon repayment or defeasance of debt.
(f) Difference between change in account balance and net of receipts less expenditures due to account investment earnings.
(g) Long term nominal growth in revenue base assumed at 3% per year.
(h) Self-employed OFLT revenues assume passage and approval of SB33, eliminating the $25 minimum.

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..g Range Old Fund/OFLT Projections

..? Projections Under 'Plausible Scenario Assumptions'
..gures in $Millions) 28–Jan–95

ACCELERATED DEBT SERVICE

Total Payroll Tax	452.821
Total Debt Service	217.870
Debt Repayment Date	FY 2001
OFLT Trigger–Down Date	FY 2002
OFLT Termination Date	FY 2004

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ANNUAL RECEIPTS

..al ..Y	Emplyr Rate	Emplyee Rate	Self–Emply Rate	Emplyr Pyrll OFLT Cash Receipts	Emplyee Pyrll OFLT Cash Receipts	Self–Emply OFLT Cash Receipts	Total Cash OFLT Receipts
..94							
..95	0.50%	0.20%	0.20%	29.248	11.699	4.615	45.562
..96	0.50%	0.20%	0.20%	31.194	12.478	4.803	48.475
..97	0.50%	0.20%	0.20%	32.729	13.091	4.562	50.382
..98	0.50%	0.20%	0.20%	33.710	13.484	4.699	51.893
..99	0.50%	0.20%	0.20%	34.722	13.889	4.840	53.450
..00	0.50%	0.20%	0.20%	35.763	14.305	4.985	55.054
..01	0.50%	0.20%	0.20%	36.836	14.735	5.135	56.705
..02	0.45%	0.15%	0.15%	34.147	11.382	3.966	49.496
..003	0.40%	0.10%	0.10%	31.264	7.816	2.724	41.803
..004	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000
..005	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000
..006	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000
..007	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000
..008	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000
..009	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000
..010	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000
..011	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000
..012	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000
..013	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000
..014	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000
..015	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000
..016	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000
..017	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000
..018	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000
..019	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000
..020	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000
..–Year Totals				299.614	112.879	40.328	452.821

ANNUAL OUTLAYS

..al ..Y	Claims/ ALAE	ULAE	OFLT Admin	1991 Payroll Tax Bonds Defease	1991 Payroll Tax Bonds Principal	1991 Payroll Tax Bonds Interest	1993 Variable Notes Principal	1993 Variable Notes Interest
..94								
..95	23.303	3.000	0.490	0.000	2.100	9.220	0.000	1.307
..96	19.318	3.000	0.600	0.000	2.244	9.076	15.000	1.394
..97	15.455	3.000	0.600	5.000	2.398	8.922	17.500	0.788
..98	12.618	2.449	0.618	25.000	2.907	8.413	0.000	0.000
..99	13.109	2.545	0.637	30.000	4.825	6.495	0.000	0.000
..00	11.142	2.163	0.656	30.000	7.220	4.100	0.000	0.000
..01	10.010	1.943	0.675	12.642	9.779	1.541	0.000	0.000
..02	9.009	1.749	0.696	0.000	0.000	0.000	0.000	0.000
..003	8.108	1.574	0.716	0.000	0.000	0.000	0.000	0.000
..004	7.297	1.416	0.000	0.000	0.000	0.000	0.000	0.000
..005	6.921	1.343	0.000	0.000	0.000	0.000	0.000	0.000
..006	6.575	1.276	0.000	0.000	0.000	0.000	0.000	0.000
..007	6.246	1.212	0.000	0.000	0.000	0.000	0.000	0.000
..008	6.116	1.187	0.000	0.000	0.000	0.000	0.000	0.000
..009	5.994	1.164	0.000	0.000	0.000	0.000	0.000	0.000
..010	5.874	1.140	0.000	0.000	0.000	0.000	0.000	0.000
..011	5.756	1.117	0.000	0.000	0.000	0.000	0.000	0.000
..012	5.697	1.106	0.000	0.000	0.000	0.000	0.000	0.000
..013	5.640	1.095	0.000	0.000	0.000	0.000	0.000	0.000
..014	5.584	1.084	0.000	0.000	0.000	0.000	0.000	0.000
..015	5.528	1.073	0.000	0.000	0.000	0.000	0.000	0.000
..016	5.473	1.062	0.000	0.000	0.000	0.000	0.000	0.000
..017	5.418	1.052	0.000	0.000	0.000	0.000	0.000	0.000
..018	5.364	1.041	0.000	0.000	0.000	0.000	0.000	0.000
..019	5.310	1.031	0.000	0.000	0.000	0.000	0.000	0.000
..020	122.621	10.000	0.000	0.000	0.000	0.000	0.000	0.000
..–Year Totals	339.486	49.823	5.687	102.642	31.472	47.768	32.500	3.488

ACCOUNT BALANCES

..al ..Y	Old Fund Balance	Debt Reserves	1991 Bonds LT Debts Pybl	1993 Notes Current Pybl	Variable Rates
..94	10.251	14.168	134.115	32.500	
..95	17.621	14.168	132.015	32.500	4.02%
..96	17.168	14.168	129.771	17.500	4.29%
..97	18.496	11.322	122.373	0.000	4.50%
..98	20.061	11.322	94.466	0.000	4.50%
..99	17.667	11.322	59.641	0.000	4.50%
..00	19.071	11.322	22.421	0.000	4.50%
..01	52.217	0.000	0.000	0.000	4.50%
..02	93.197	0.000	0.000	0.000	4.50%
..003	129.845	0.000	0.000	0.000	4.50%
..004	128.435	0.000	0.000	0.000	4.50%
..005	127.395	0.000	0.000	0.000	4.50%
..006	126.710	0.000	0.000	0.000	4.50%
..007	126.379	0.000	0.000	0.000	4.50%
..008	126.184	0.000	0.000	0.000	4.50%
..009	126.125	0.000	0.000	0.000	4.50%
..010	126.205	0.000	0.000	0.000	4.50%
..011	126.431	0.000	0.000	0.000	4.50%
..012	126.740	0.000	0.000	0.000	4.50%
..013	127.134	0.000	0.000	0.000	4.50%
..014	127.617	0.000	0.000	0.000	4.50%
..015	128.195	0.000	0.000	0.000	4.50%
..016	128.871	0.000	0.000	0.000	4.50%
..017	129.650	0.000	0.000	0.000	4.50%
..018	130.538	0.000	0.000	0.000	4.50%
..019	131.540	0.000	0.000	0.000	4.50%
..020	6.318	0.000	0.000	0.000	4.50%

..te:
..ojection model represents a 'plausible scenario' given a number of tenuous assumptions regarding claims payouts, revenue base growth, management of debt, and future revisions in current law. The projection model ..proximates known factors such as debt service on the 1991 payroll tax bond issue, deposit of investment earnings to old fund accounts, cash to revenue ratios, and cash lags caused by tax rate 'trigger–downs'.

..or Technical Assumptions:

..) First priority for retirement of debt would be the 1993 variable notes.
..) Annual claims outlays FY 1995–2019 based on State Fund staff judgements regarding claims 'decay'. FY 2020 assumes the balance of current actuarially estimated total ultimate liabilities, plus an additional 10 years claims runoff at $1 million per year ULAE. ULAE 'decays' at similar rate for claims.
(c) Tax exempt short term interest rates would be 80% of taxable rates.
(d) Old fund working cash balance maintained at minimum $15–20 million.
..e) Debt service reserves revert to old fund upon repayment or defeasance of debt.
..f) Difference between change in account balance and net of receipts less expenditures due to account investment earnings.
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..) Self–employed OFLT revenues assume passage and approval of SB33, eliminating the $25 minimum.

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