

Senate Bill 191

In The Senate

January 19, 1981	Introduced and referred to Committee on Labor and Employment Relations. Fiscal note requested.
January 26, 1981	Fiscal note returned.
January 28, 1981	Committee recommend bill do not pass.

1 *Sen* BILL NO. 191
 2 INTRODUCED BY *Sen*

3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO ELIMINATE THE 100
 5 PERCENT PENALTY IMPOSED ON EMPLOYERS FOR FAILURE TO PAY
 6 PREMIUMS FOR WORKERS' COMPENSATION COVERAGE; TO REQUIRE
 7 PAYMENT OF INTEREST IN LIEU OF THE 100 PERCENT PENALTY AND
 8 TO ELIMINATE THE PAYMENT OF ALL BENEFITS PROVISION; AMENDING
 9 SECTIONS 39-71-504 AND 39-71-506, MCA."

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 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 Section 1. Section 39-71-504, MCA, is amended to read:
 13 "39-71-504. Funding of fund. The fund shall be funded
 14 in the following manner:

15 (1) The division shall require that the uninsured
 16 employer pay to the fund a ~~interest penalty of either double~~
 17 ~~the premium amount the employer would have paid on the~~
 18 ~~payroll of the employer's workers in this state if the~~
 19 ~~employer had been enrolled with compensation plan No. 3 or~~
 20 ~~\$200, whichever is greater, in determining the premium~~
 21 ~~amount for the calculation of the penalty under this~~
 22 ~~subsection; the division shall make an assessment on how~~
 23 ~~much premium would have been paid on the employer's past~~
 24 ~~3-year payroll for periods within the 3 years when the~~
 25 ~~employer was uninsured. An assessment for payroll paid by~~

1 ~~the uninsured employer for any time prior to July 1, 1977~~
 2 ~~may not be more than is calculated in the following manner:~~
 3 ~~if any employer fails to pay a premium under the provisions~~
 4 ~~of this chapter, there shall be imposed interest, in~~
 5 ~~addition to the premium owed, of 9% per annum for the entire~~
 6 ~~period it remains unpaid. The division may abate the~~
 7 ~~interest if the employer establishes that the failure to pay~~
 8 ~~on time was due to reasonable cause and was not due to~~
 9 ~~neglect on his part.~~

10 ~~(2) The fund shall receive from an uninsured employer~~
 11 ~~an amount equal to all benefits paid or to be paid from the~~
 12 ~~fund to an injured employee of the uninsured employer.~~
 13 ~~However, the uninsured employer's liability under this~~
 14 ~~subsection may not exceed \$30,000.~~

15 ~~(3)(2) The division may determine that the \$1,000~~
 16 ~~assessments that are charged against an insurer in each case~~
 17 ~~of an industrial death under 39-71-902(1) shall be paid to~~
 18 ~~the uninsured employers' fund rather than the subsequent~~
 19 ~~injury fund."~~

20 Section 2. Section 39-71-506, MCA, is amended to read:
 21 "39-71-506. Collection of payments from uninsured
 22 employer by suit. If, upon demand of the division, an
 23 uninsured employer refuses to make the payments to the fund
 24 that are provided for in subsections subsection (1) and ~~(2)~~
 25 of 39-71-504, the sums may be collected by the division

LC 0664/01

1 through suit. The division may settle through compromise
2 with an uninsured employer the amount due the fund under
3 39-71-504."

-End-

STATE OF MONTANA

REQUEST NO. 156-81

FISCAL NOTE

Form BD-15

In compliance with a written request received January 21, 19 81, there is hereby submitted a Fiscal Note for SENATE BILL 191 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

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

DESCRIPTION OF PROPOSED LEGISLATION:

A proposal to eliminate the 100 percent penalty imposed on employers who fail to provide the required workers' compensation insurance on their employees, imposing 9% annual interest on premium they would have paid had they been properly insured, and eliminating the Fund's right to recover benefits paid from the employer.

ASSUMPTION:

- a.) There will be no significant percentage difference in bad debt expense, under current law.
- b.) There will be no recovery of benefit costs paid by the Fund from the uninsured employer.
- c.) Since revenue will be considerably reduced, investment earnings will be negligible.
- d.) Once the Fund becomes insolvent, all benefit payments will cease.
- e.) Fatality assessments will remain stable.
- f.) F/Y 1980 financial activity will increase at the rate of 5% per year.
- g.) Bad debt expense will decline if no penalty is imposed.

CURRENT LAW:

	<u>F/Y 1982</u>	<u>F/Y 1983</u>
Fines & Penalties Paid	\$351,691	\$369,276
Recovery of Benefits Paid	128,138	134,545
Fatality Assessments	45,000	45,000
Bad Debts Recovered	42,104	44,116
Interest Earnings	10,000	10,000
TOTAL REVENUE	<u>\$576,933</u>	<u>\$602,937</u>

PROPOSED LAW:

Premium Paid	\$192,364	\$201,983
Interest on Premium	17,300	18,000
Fatality Assessments	45,000	45,000
Bad Debts Recovered	10,259	10,772
TOTAL REVENUE	<u>\$264,923</u>	<u>\$275,755</u>

REDUCTION OF REVENUE

\$312,010\$327,182

David M. Lewis
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-26-81