HOUSE BILL 109

Introduced by McCormick, et al.

1/10	Introduced
1/11	Referred to Agriculture, Livestock & Irrig.
1/12	Sponsor Withdrew
1/12	Fiscal Note Requested
1/18	Fiscal Note Received
1/19	Fiscal Note Printed
	Died in Committee

House BILL NO. 109

INTRODUCED BY [illegible signature]

A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING ANY EXCESS FUNDS ACCUMULATED FROM THE HAIL INSURANCE LEVY TO BE DEPOSITED IN THE GENERAL FUND; AND AMENDING SECTION 80-2-222, MCA."

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

Section 1. Section 80-2-222, MCA, is amended to read:

"**80-2-222. Board to establish amount of levy -- disposition of funds.** (1) The board of hail insurance may, when it considers it advisable, establish as many districts as it considers advisable and may maintain maximum rates in various parts of the state, which rates shall be commensurate with the risk incurred as nearly as it can determine from past experiences or from any records available.

(2) Notice of the various rates established for any year shall be plainly printed on the application for hail insurance, and the rates for the year shall be determined and levied by the board of hail insurance for each of the various districts as established, in such proportions as will in its judgment be fair and equitable.

(3) In making the levy provided in this section and

80-2-223, the board of hail insurance shall provide for:

(a) the payment of all expenses of administration, together with all interest owed or to be owing on registered warrants;

(b) that portion of the losses incurred during the current year which are not paid from funds drawn from the reserve;

(c) the maintenance of the reserve, a part or all of which may be used in any one year for the purpose of paying the costs of administration, interest on the warrants, and losses as the same shall be settled and adjusted by the board, including the losses sustained in any prior year or years under the hail insurance law that have not been paid.

(4) If at the end of any hail insurance season the board determines and finds that more funds are accumulating from the current year's levies than were estimated when the levy was made and are in excess of the need for the payment of losses and expenses and maintenance of the reserve, the board ~~may,-at-its-discretion,-refund~~ shall refund the excess to the ~~farmers--insured--for--the--year,--on-a-pro-rata-or percentage-basis~~ state treasurer for deposit in the general fund for appropriation by the legislature.

(5) The board of hail insurance may direct the board of investments to invest funds from the expendable trust fund pursuant to the provisions of the unified investment

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program for state funds. The income from such investments shall be credited to the board of hail insurance account in the expendable trust fund."

NEW SECTION. **Section 2.** **Extension of authority.** Any existing authority to make rules on the subject of the provisions of [this act] is extended to the provisions of [this act].

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB109 , as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

HB109 would require that any excess funds accumulated from the hail insurance levy would be deposited in the general fund rather than being refunded to farmers.

ASSUMPTIONS:

1. The majority of producers who participate in the State Hail Insurance Program do so because it saves them money on their annual crop insurance to share in the statewide protection and benefits.

2. In 1988, the program collected $1.2 million from producers in the highest risk counties, which in descending order of risk are as follows: Chouteau, Fergus, Judith Basin, McCone, Dawson, Richland, Golden Valley, Musselshell, Wheatland, Rosebud, Custer, Powder River, Treasure, Big Horn, Yellowstone, Stillwater, and Petroleum. The first seven of these counties, which accounted for about $960,000, have the highest crop hail insurance rates in the state.

3. The lower risk counties, which accounted for an additional $1 million of 1988 premium collection, have crop hail insurance rates comparable to the private companies. Elimination of refunds to these producers would cut participation by 65% the first year and by 90% the second year.

4. Average fiscal year collections total $2,200,000.

5. As the program insured a higher proportion of those with the highest loss ratio, the rates will need to be increased to make the program actuarially sound and this will lead to further decreases in the number of producers who participate.

6. Current transfers which include 1.5% of collections to the state general fund and 2% to the counties would be decreased as fiscal year collections declined.

7. It is impossible to predict the amount of excess funds which would be deposited in the general fund because the amount would be dependent upon annual hail damage losses.

Ray Shackleford 1/18/89
RAY SHACKLEFORD, BUDGET DIRECTOR DATE
OFFICE OF BUDGET AND PROGRAM PLANNING

JOHN VINCENT, FISCAL NOTE REQUESTOR DATE

Fiscal Note for HB109, as introduced

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FISCAL IMPACT:

	FY90			FY91		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
REVENUE:						
Hail Insurance Levy	$2,200,000	$1,550,000	($650,000)	$2,200,000	$1,300,000	($900,000)
EXPENDITURES:						
TRANSFERS						
To General Fund	$ 33,000	$ 23,250	($ 9,750)	$ 33,000	$ 19,500	($ 13,500)
To Counties	44,000	31,000	(13,000)	44,000	26,000	(18,000)
FUND:						
Hail Expendable Trust	$2,123,000	$1,495,750	($627,250)	$2,123,000	$1,254,500	($868,500)

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

As the number of producers who participate in the insurance program decrease, there is a corresponding drop in the 2% transfer of collections to counties.

LONG RANGE EFFECTS OF PROPOSED LEGISLATION:

A reduction in the number of policies could mean that it is no longer cost-effective for the state to operate a hail insurance program.

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