

SENATE BILL NO. 444

INTRODUCED BY AKLESTAD, THAYER, GLASER, MARKS,
THOMAS, SMITH

BY REQUEST OF THE GOVERNOR

IN THE SENATE

FEBRUARY 15, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON LABOR & EMPLOYMENT RELATIONS.
	FIRST READING.
FEBRUARY 17, 1989	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
FEBRUARY 20, 1989	PRINTING REPORT.
	SECOND READING, DO PASS.
	ENGROSSING REPORT.
FEBRUARY 21, 1989	THIRD READING, PASSED. AYES, 50; NOES, 0.
	TRANSMITTED TO HOUSE.

IN THE HOUSE

FEBRUARY 21, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON LABOR & EMPLOYMENT RELATIONS.
FEBRUARY 28, 1989	FIRST READING.
MARCH 22, 1989	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
MARCH 28, 1989	SECOND READING, CONCURRED IN.
MARCH 29, 1989	THIRD READING, CONCURRED IN. AYES, 97; NOES, 0.
	RETURNED TO SENATE.

MARCH 29, 1989

IN THE SENATE

RECEIVED FROM HOUSE.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *Senate* BILL NO. *444*
 2 INTRODUCED BY *ARLES L. D. Hays, Jr. M.D. Sen. Mark*
 3 *Thomas* BY REQUEST OF THE GOVERNOR *C. Smith*

4
 5 A BILL FOR AN ACT ENTITLED: "AN ACT TO ENSURE THAT THE
 6 WORKERS' COMPENSATION EMPLOYER'S PAYROLL TAX IS MAINTAINED
 7 IN A SEPARATE ACCOUNT AND IS USED ONLY TO REDUCE THE
 8 UNFUNDED LIABILITY IN THE STATE FUND; AMENDING SECTION
 9 39-71-2502, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

10
 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 **Section 1.** Section 39-71-2502, MCA, is amended to
 13 read:

14 "39-71-2502. (Temporary) Findings and purpose. (1)
 15 Based on current liabilities and actuarial analysis, an
 16 unfunded liability presently exists in the state fund and is
 17 projected to increase. The legislature recognized that the
 18 fund actuary has determined that on June 30, 1988, a full
 19 funding deficiency of \$157.3 million existed for the state
 20 fund. While legislative action is required to correct the
 21 causes of the unfunded liability, those actions will not
 22 provide sufficient funds to permit the state fund to pay its
 23 existing liabilities and obligations in a timely manner from
 24 premium and investment income available to the state fund.
 25 Therefore, it is necessary to provide a source of funding

1 for the unfunded liability in addition to premium and
 2 investment income.

3 (2) The police power of the state extends to all great
 4 public needs. The state, in the exercise of its police
 5 power, has determined that it is greatly and immediately
 6 necessary to the public welfare to make workers'
 7 compensation insurance available to all employers through
 8 the state fund as the insurer of last resort. In making this
 9 insurance available, the state fund has incurred the
 10 unfunded liability described in subsection (1). The burden
 11 of this unfunded liability should not be borne solely by
 12 those employers who have insured with the state fund because
 13 the availability of insurance to all employers through the
 14 state fund has benefited all employers who have workers'
 15 compensation coverage. Therefore, all employers who have
 16 employments covered by the workers' compensation laws should
 17 share in the cost of the unfunded liability.

18 (3) The purpose of this part is to provide a
 19 supplemental source of financing for the unfunded liability.

20 (4) To ensure that the circumstances that contributed
 21 to the unfunded liability are not perpetuated, premium rates
 22 must be set on an actuarially sound basis as required by
 23 state law. The revenue derived from the payroll tax imposed
 24 by 39-71-2503 may not be considered revenue for the purpose
 25 of establishing premium rates for present or future coverage

LC 1622/01

1 periods. (Terminates June 30, 1991--sec. 10, Ch. 664, L.
2 1987.)"

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

7 NEW SECTION. **Section 3.** Effective date. [This act] is
8 effective on passage and approval.

-End-

APPROVED BY COMMITTEE
ON LABOR & EMPLOYMENT
RELATIONS

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Therefore, it is necessary to provide a source of funding for the unfunded liability in addition to premium and investment income.

(2) The police power of the state extends to all great public needs. The state, in the exercise of its police power, has determined that it is greatly and immediately necessary to the public welfare to make workers' compensation insurance available to all employers through the state fund as the insurer of last resort. In making this insurance available, the state fund has incurred the unfunded liability described in subsection (1). The burden of this unfunded liability should not be borne solely by those employers who have insured with the state fund because the availability of insurance to all employers through the state fund has benefited all employers who have workers' compensation coverage. Therefore, all employers who have employments covered by the workers' compensation laws should share in the cost of the unfunded liability.

(3) The purpose of this part is to provide a supplemental source of financing for the unfunded liability.

(4) To ensure that the circumstances that contributed to the unfunded liability are not perpetuated, premium rates must be set on an actuarially sound basis as required by state law. The revenue derived from the payroll tax imposed by 39-71-2503 may not be considered revenue for the purpose

1 of establishing premium rates for present or future coverage
2 periods. (Terminates June 30, 1991--sec. 10, Ch. 664, L.
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4 NEW SECTION. Section 2. Extension of authority. Any
5 existing authority to make rules on the subject of the
6 provisions of [this act] is extended to the provisions of
7 [this act].

8 NEW SECTION. SECTION 3. COORDINATION INSTRUCTION. IF
9 SENATE BILL NO. 405 IS PASSED AND APPROVED AND IF IT
10 PROVIDES FOR A TAX ON EMPLOYEE'S WAGES, THEN [SECTION 1(4)]
11 OF THIS ACT IS AMENDED SO THAT LANGUAGE REFERRING TO "THE
12 REVENUE DERIVED FROM THE PAYROLL TAX IMPOSED BY 39-71-2503"
13 WILL READ "THE REVENUE DERIVED FROM THE PAYROLL AND WAGE TAX
14 IMPOSED BY 39-71-2503".

15 NEW SECTION. Section 4. Effective date. [This act] is
16 effective on passage and approval.

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