

SENATE BILL 421

Introduced by Forrester

2/18	Introduced
2/18	Referred to Taxation
2/18	First Reading
2/18	Fiscal Note Requested
2/23	Fiscal Note Received
2/23	Fiscal Note Printed
3/10	Hearing
3/10	Tabled in Committee

1 Senate BILL NO. 421  
2 INTRODUCED BY Forsythe  
3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A GUARANTEED  
5 ANNUAL BENEFIT ADJUSTMENT FOR ELIGIBLE BENEFIT RECIPIENTS  
6 UNDER THE SHERIFFS' RETIREMENT SYSTEM; INCREASING THE VIDEO  
7 GAMBLING MACHINE TAX TO PAY FOR THE BENEFIT; AMENDING  
8 SECTIONS 19-7-709 AND 23-5-610, MCA; AND PROVIDING AN  
9 EFFECTIVE DATE."

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

12 NEW SECTION. Section 1. Guaranteed annual benefit  
13 adjustment. (1) Except as provided in subsection (2), the  
14 monthly service, disability, or survivorship benefit  
15 provided to a benefit recipient under this chapter must be  
16 increased by 3% on January 1 each year after the benefit has  
17 been paid for at least 24 consecutive months on or before  
18 June 30 in the year the guaranteed adjustment is made.

19 (2) The recipient of a service retirement benefit must  
20 be at least 55 years of age on or before June 30 in the year  
21 the guaranteed adjustment is made.

22 NEW SECTION. Section 2. State contribution. At the end  
23 of each calendar quarter, the public employees' retirement  
24 division shall request and the department of justice shall  
25 contribute to the sheriffs' retirement account from the

1 video gambling machine tax established under 23-5-610 an  
2 amount equal to 6.62% of the salaries of active members of  
3 the retirement system.

4 **Section 3.** Section 19-7-709, MCA, is amended to read:

5 "19-7-709. Funding for postretirement adjustment --  
6 reserve fund. (1) At the end of each fiscal year, the board  
7 shall determine the total investment income earned on the  
8 retirement fund for that fiscal year. From this amount, the  
9 board shall subtract the:

10 (a) actuarial amount required to fund the retirement  
11 system for the fiscal year; and

12 (b) retirement system's administrative and investment  
13 expenses for the fiscal year.

14 (2) (a) From the remainder obtained in subsection (1),  
15 the board shall calculate the amount of investment income  
16 earned on that portion of the retirement fund balance  
17 representing retired members.

18 (b) The board shall deposit the amount calculated in  
19 subsection (2)(a) in a reserve fund.

20 (3) Subject to the restrictions contained in  
21 subsections (4) and (5), the board shall annually use 90% of  
22 the amount in the reserve fund provided for in subsection  
23 (2)(b) to pay a postretirement adjustment to eligible  
24 members-or-beneficiaries benefit recipients under 19-7-710.

25 (4) If the amount in the reserve fund is insufficient

1 to provide an average monthly postretirement adjustment of  
2 at least \$1 under 19-7-710, an adjustment may not be made in  
3 that calendar year.

4 (5) The amount available for payment of the  
5 postretirement allowance adjustment is limited to an amount  
6 that would provide a percentage increase in the average  
7 service, disability, or survivorship allowance benefit of  
8 all eligible members benefit recipients, that, when combined  
9 with the postretirement guaranteed annual benefit adjustment  
10 provided for under [section 1], that is equal to or less  
11 than the percentage increase for the previous calendar year  
12 in the annual average consumer price index for urban wage  
13 earners and workers compiled by the bureau of labor  
14 statistics, United States department of labor, or its  
15 successor agency."

16 **Section 4.** Section 23-5-610, MCA, is amended to read:

17 "23-5-610. (Temporary) Video gambling machine gross  
18 income tax -- records -- distribution -- quarterly statement  
19 and payment. (1) A licensed operator issued a permit under  
20 this part shall pay to the department a video gambling  
21 machine tax of 15% of the gross income from each video  
22 gambling machine licensed under this part. A licensed  
23 operator may deduct from the gross income amounts equal to  
24 amounts stolen from machines if the amounts are not repaid  
25 by insurance and if a law enforcement agency investigated

1 the theft.

2 (2) A licensed operator issued a permit under this part  
3 shall keep a record of the gross income from each machine in  
4 such a form as the department may require. The records must  
5 at all times during the business hours of the licensee be  
6 subject to inspection by the department.

7 (3) A licensed operator issued a permit under this part  
8 shall, within 15 days after the end of each quarter,  
9 complete and deliver to the department a statement showing  
10 the total gross income from each video gambling machine  
11 licensed to him, together with the total amount due the  
12 state as video gambling machine gross income tax for the  
13 preceding quarter. The statement must contain other relevant  
14 information as the department may require.

15 (4) (a) The department shall forward one-third of the  
16 tax collected under subsection (3) and the surtax imposed by  
17 23-5-646 to the general fund.

18 (b) The department shall forward the remaining  
19 two-thirds of the tax collected under subsection (3) to the  
20 treasurer of the county or the clerk, finance officer, or  
21 treasurer of the city or town in which the licensed machine  
22 is located, for deposit to the county or municipal treasury.  
23 Counties are not entitled to proceeds from taxes on income  
24 from video gambling machines located in incorporated cities  
25 and towns. The two-thirds local government portion of tax

collected under subsection (3) is statutorily appropriated to the department as provided in 17-7-502 for deposit to the county or municipal treasury.

23-5-610. (Effective on receipt of taxes for calendar quarter ending June 30, 1993) Video gambling machine gross income tax -- records -- distribution -- quarterly statement and payment. (1) A licensed operator issued a permit under this part shall pay to the department a video gambling machine tax of ~~15%~~ 16% of the gross income from each video gambling machine licensed under this part. A licensed operator may deduct from the gross income amounts equal to amounts stolen from machines if the amounts are not repaid by insurance and if a law enforcement agency investigated the theft.

(2) A licensed operator issued a permit under this part shall keep a record of the gross income from each machine in ~~such a~~ form as the department may require. The records must at all times during the business hours of the licensee be subject to inspection by the department.

(3) A licensed operator issued a permit under this part shall, within 15 days after the end of each quarter, complete and deliver to the department a statement showing the total gross income from each video gambling machine licensed to him the operator, together with the total amount due the state as video gambling machine gross income tax for

the preceding quarter. The statement must contain other relevant information as the department may require.

(4) ~~the~~ The department shall forward allocate the tax collected under subsection (3) as follows:

(a) an amount equal to 6.62% of the salaries of active members of the sheriffs' retirement system to the sheriffs' retirement account established in 19-7-401;

(b) one-third of the tax-collected-under-subsection-(3) balance after the allocation in subsection (4)(a) to the general fund;

~~(b)(c)~~ The---department---shall---forward the remaining two-thirds of the tax-collected-under-subsection-(3) balance to the treasurer of the county or the clerk, finance officer, or treasurer of the city or town in which the licensed machine is located, for deposit to the county or municipal treasury. Counties are not entitled to proceeds from taxes on income from video gambling machines located in incorporated cities and towns. The ~~two-thirds~~ local government portion of tax collected under subsection (3) is statutorily appropriated to the department as provided in 17-7-502 for deposit to the county or municipal treasury."

NEW SECTION. Section 5. Codification instruction. (1) [Section 1] is intended to be codified as an integral part of Title 19, chapter 7, part 7, and the provisions of Title 19, chapter 7, part 7, apply to [section 1].

(2) [Section 2] is intended to be codified as an integral part of Title 19, chapter 7, part 4, and the provisions of Title 19, chapter 7, part 4, apply to [section 2].

**NEW SECTION. Section 6.** Coordination instruction. If \_\_\_\_ Bill No. \_\_\_\_ [LC 1141] is passed and approved and if it includes a section that:

(1) amends 23-5-610 to increase the video gambling machine tax, then the total increase in the video gambling machine tax as provided in \_\_\_\_ Bill No. \_\_\_\_ [LC 1141] and in [section 4 of this act], amending 23-5-610, combined must be 1.4%.

(2) provides a state contribution, then the state contribution in \_\_\_\_ Bill No. \_\_\_\_ [LC 1141] and in [section 2 of this act] combined must be 15.74% of salaries.

**NEW SECTION. Section 7.** Effective date. [This act] is effective July 1, 1993.

-End-

STATE OF MONTANA - FISCAL NOTE  
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB0421, as introduced.

**DESCRIPTION OF PROPOSED LEGISLATION:** The bill provides a 3% guaranteed annual benefit adjustment to benefit recipients in the Sheriffs Retirement System (SRS); provides for state contributions to the system in the amount of 6.62% of salaries to pay for the benefits; and increases video gambling machine income taxes by 1% to pay for the state's contributions.

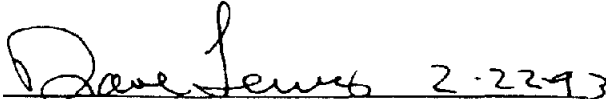
**ASSUMPTIONS:**

1. The FY92 payroll for the Sheriffs' Retirement System (SRS) was \$14,189,660. Assuming a continuation of a 7.5% annual growth, the FY94 payroll will be \$16,397,925 and the FY95 payroll will be \$17,627,770.
2. During the coming biennium, the total benefits paid under present law will continue to grow at the rate of 9% per year. Under proposed law, benefits for those who have been retired for at least 24 months will be increased by 3%, compounding on January 1 of each year.
3. State contributions from video gambling machine taxes will equal 6.62% of SRS payroll.
4. The general fund pays 2.5% of SRS benefits paid in the previous calendar year to fund benefit adjustments for resident retirees.
5. Total video gaming taxes under the current tax rate of 15% are estimated at \$30,106,000 (FY94) and \$32,411,000 (FY95), respectively. A 1% increase would raise \$2,007,000 in FY94 and \$2,161,000 in FY95. The current distribution of the tax is 1/3 general fund and 2/3 local governments. Under proposed law, the state's contribution to the Sheriff's Retirement System would be made first, and the remaining funds would be allocated 1/3 general fund and 2/3 local governments.
6. This bill contains coordination instructions if both this bill and SB0410 are passed and approved. In that event, the combined video gambling machine tax rate increase will be 1.4% and the total state contribution to the SRS pension trust fund will equal 15.74% of salaries. The net combined impact if both bills become law is shown in summary form below.

**FISCAL IMPACT:**

	FY '94			FY '95		
Public Employees Retirement Bd- Sheriffs Retirement System:	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
<b>Expenditures:</b>						
Sheriffs' Pension Benefits	928,000	940,500	12,500	1,011,535	1,051,875	40,340
2.5% Lump Sum Pension Adjmts.	<u>21,540</u>	<u>21,540</u>	<u>0</u>	<u>23,480</u>	<u>23,793</u>	<u>313</u>
Total	949,540	962,040	12,500	1,035,015	1,075,668	40,653
<b>Funding:</b>						
SRS Pension Trust Fund	928,000	940,500	12,500	1,011,535	1,051,875	40,340
General Fund	<u>21,540</u>	<u>21,540</u>	<u>0</u>	<u>23,480</u>	<u>23,793</u>	<u>313</u>
Total	949,540	962,040	12,500	1,035,015	1,075,668	40,653

(continued)

  
DAVID LEWIS, BUDGET DIRECTOR      DATE  
Office of Budget and Program Planning

 2/23/93  
GARY FORRESTER, PRIMARY SPONSOR      DATE

Fiscal Note for SB0421, as introduced

SB 421

Revenues:	FY '94			FY '95		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Video Gambling Machine Taxes:						
General Fund	10,035,333	10,342,486	307,153	10,803,667	11,135,014	331,347
SRS Pension Trust Fund	0	1,085,543	1,085,543	0	1,166,958	1,166,958
Local Governments	<u>20,070,667</u>	<u>20,684,971</u>	<u>614,304</u>	<u>21,607,333</u>	<u>22,270,028</u>	<u>662,695</u>
Total	30,106,000	32,113,000	2,007,000	32,411,000	34,572,000	2,161,000
SRS Pension Trust Fund -						
Investment Earnings	3,975,000	4,009,900	34,900	4,293,000	4,329,700	36,700
Net Impact to General Fund			307,153			331,034
Net Impact to SRS Pension Trust Fund			1,107,943			1,163,318
 <u>Combined Impact of SB0410 and SB0421:</u>						
Net Impact to General Fund			76,256			81,652
Net Impact to local governments			152,645			166,926

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:  
The additional 1% video gambling machine tax collection is estimated to result in additional revenue for local governments totalling \$614,304 in FY94 and \$662,695 in FY95.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:  
Retirement benefits are perpetual obligations. This bill will result in permanent expenditures from the state to the SRS pension trust fund. The benefit formula of 2.5% of final salary for each year of service will make the formula for benefits in this system the same as the formula for benefits paid to highway patrol officers and higher than benefits paid to municipal police officers and firefighters. Sheriffs also are covered by social security while those other groups are not; therefore, the combined retirement benefits available to sheriffs would be higher than benefits available for highway patrol officers, municipal police officers, and firefighters.

TECHNICAL NOTES:  
The bill contains coordination instructions with SB0410 such that if SB0410 and this bill both become law, the combined video gambling machine tax collected will be 1.4% and the total state contribution to the SRS pension trust fund will equal 15.74% of salaries. In addition, the 2.5% supplemental benefit payment will increase further in FY95.