SENATE BILL NO. 348

INTRODUCED BY [illegible] [illegible]

[illegible]

A BILL FOR AN ACT ENTITLED: "AN ACT CAPPING THE LEVEL OF GROSS PAYROLL UPON WHICH THE WORKERS' COMPENSATION ADMINISTRATION FUND ASSESSMENT CAN BE MADE FOR PLAN NO. 1 EMPLOYERS; RAISING THE MINIMUM ASSESSMENT TO $1,500; CAPPING THE ADMINISTRATIVE ASSESSMENT FOR PLAN NO. 1 EMPLOYERS; LIMITING THE ANNUAL INCREASE IN ASSESSMENTS FOR PLAN NO. 1 EMPLOYERS AND PLAN NO. 2 INSURERS; PROVIDING THAT ANY DIFFERENCE BETWEEN ADMINISTRATIVE COSTS AND ASSESSMENTS BE APPROPRIATED BY THE LEGISLATURE; AND AMENDING SECTION 39-71-201, MCA."

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

Section 1. Section 39-71-201, MCA, is amended to read:

"**39-71-201. Administration fund.** (1) A workers' compensation administration fund is established out of which ~~all~~ the costs of administering the Workers' Compensation and Occupational Disease Acts and the various occupational safety acts that the department ~~must administer~~ administers, with the exception of the subsequent injury fund, as provided for in 39-71-907, and the uninsured employers' fund, are to be paid upon lawful appropriation. The following money collected by the department must be deposited in the state treasury to the credit of the workers' compensation administrative fund and must be used for the administrative expenses of the department:

(a) all fees and penalties provided in 39-71-205 and 39-71-304;

(b) all fees paid for inspection of boilers and issuance of licenses to operating engineers as required by law;

(c) all fees paid from an assessment on each plan No. 1 employer, on each plan No. 2 insurer, and on plan No. 3, the state fund. The assessments must be levied against the first $250 million of the preceding calendar year's gross annual payroll of each of the plan No. 1 employers and the gross annual direct premiums collected in Montana on the policies of each of the plan No. 2 insurers, insuring employers covered under the chapter, during the preceding calendar year. However, an assessment of ~~the~~ a plan No. 1 employer or a plan No. 2 insurer may not be less than ~~$200~~ $1,500. If at any time during the fiscal year a plan No. 1 employer is granted permission to self-insure or a plan No. 2 insurer is authorized to insure employers under this chapter, that plan No. 1 employer or plan No. 2 insurer is subject to assessment. The assessments must be ~~sufficient to fund~~ based on the direct costs identified to the three plans and an equitable portion of the indirect costs based on the ratio of the preceding fiscal year's indirect costs distributed to the plans, using proper accounting and cost allocation procedures. An assessment against a plan No. 1 employer or a plan No. 2 insurer may not exceed the previous year's assessment against that employer or insurer by more than 2%. However, the assessment levied against a plan No. 1 employer whose gross annual payroll for the preceding calendar year exceeds $250 million may not exceed the assessment based on a $250 million gross annual payroll by more than 2%. Plan No. 3 must be assessed an amount sufficient to fund the direct costs and an equitable portion of the indirect costs of regulating plan No. 3. Other sources of revenue, including unexpended funds from the preceding fiscal year, must be used to reduce the costs before levying the assessments. The difference, if any, between the administrative costs of the department and the money collected by the assessments must be appropriated by the legislature to the workers' compensation administration fund.

(2) The administration fund must be debited with expenses incurred by the department in the general administration of the provisions of this chapter, including the salaries of its members, officers, and employees and the travel expenses of the members, officers, and employees, as provided for in 2-18-501 through 2-18-503, as amended, incurred while on the business of the department either within or ~~without~~ outside of the state.

(3) Disbursements from the administration money must be made after being approved by the department upon claim ~~therefor~~ for the disbursement."

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0348, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:
An act capping the level of gross payroll upon which the workers' compensation administration fund assessment can be made for Plan I employers; raising the minimum assessment to $1,500; capping the administrative assessment for Plan I employers; limiting the annual increase in assessments for Plan I employers and Plan II insurers; providing that any difference between administrative costs and assessments be appropriated by the legislature.

ASSUMPTIONS:
1. The proportionate share of workers compensation (WC) assessments between Plans I, II, and III will remain constant from FY95 assessments. The proportionate share of each employer/insurer within each plan will remain constant from FY95 assessments, but for one employer in Plan I affected by the $250 million cap on payroll.
2. There will be no carryforward assessment adjustments from FY95 to FY96 nor from FY96 to FY97 (i.e. assessments will be exactly equal to expenditures). The appropriation from the WC administration account following action by the joint subcommittee on Human Services is $4,467,088 in FY96 and $4,319,264 in FY97.
3. No subsidies will occur between Plans I, II, and III.
4. There is one employer in Plan I which has more than $250 million in gross annual payroll. The assessment against this employer would be 43% less than would otherwise be assessed due to the payroll cap.
5. The shortfall in assessments would be offset by a general fund appropriation.

FISCAL IMPACT:

Expenditures:	FY96 Difference	FY97 Difference
Plan I (without payroll cap)	235,000	165,000
Plan I (payroll cap)	110,000	125,000
Plan II	0	0
Total	345,000	290,000
Funding:		
General Fund (01)	345,000	290,000

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
School district members of the Montana School Group Insurance Authority would save an estimated $110,000 in FY96 and $125,000 in FY97 due to the payroll cap.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:
The $250 million payroll cap would provide an incentive for employers to consolidate. Consolidation could decrease WC assessments, thereby increasing general fund expenditures.

TECHNICAL NOTE:
The fiscal impact of SB348 is subject to a relatively high degree of variability due to changes in market participation of Plans I and II employers/insurers. As a result, an indefinite (statutory) appropriation may be required.

Dave Lewis 2-18-95

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

LORENTS GROSFIELD, PRIMARY SPONSOR DATE