



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: January 19, 2012

TO: Economic Affairs Interim Committee

FROM: Kris Wilkinson

RE: Workers' Compensation Insurance Premiums for State Agencies

The purpose of this memorandum is to provide information on the costs of workers' compensation insurance premiums for state agencies in FY 2012 as compared to the budget provided by the legislature. The memorandum also provides information on the impacts of changes contained in HB 334 that also impact state agency budgetary authority as it relates to workers' compensation premiums.

During deliberations on the General Appropriations Act (HB 2), the Senate approved an amendment requested by Senator Ryan Zinke to reduce general fund appropriations of state agencies that had paid some portion of workers compensation costs with general fund in FY 2010 (base year). Reductions totaled \$1,113,150 in FY 2012 general fund appropriation authority for the selected agencies. Figure 1 compares the general fund provided to impacted state agencies including the reduction in the FY 2012 budget and the estimated general fund premium payment for workers' compensation that will need to be paid by the agency in FY 2012.

Figure 1

State Agency Workers' Compensation Costs				
Comparison between Budgeted and Estimated Premium Costs				
General Fund				
	Budgeted	Estimated		
State Agency	FY 2012	FY 2012	Difference	Percentage
Legislative Branch	\$67,257	\$69,131	\$1,874	2.79%
Governor's Office	37,875	34,005	(3,870)	-10.22%
Commissioner of Political Practices	2,717	2,109	(608)	-22.38%
Department of Revenue	457,650	246,056	(211,594)	-46.23%
Department of Administration	15,274	10,887	(4,387)	-28.72%
Department of Commerce	25,353	26,235	882	3.48%
Department of Labor and Industry	18,601	14,129	(4,472)	-24.04%
Department of Military Affairs	46,110	33,903	(12,207)	-26.47%
Department of Public Health and Human Services	3,089,844	3,083,415	(6,429)	-0.21%
Department of Environmental Quality	29,253	21,123	(8,130)	-27.79%
Department of Livestock	15,567	18,998	3,431	22.04%
Department of Natural Resources and Conservation	309,359	271,248	(38,111)	-12.32%
Department of Agriculture	8,674	6,426	(2,248)	-25.92%
Judicial Branch	264,755	202,680	(62,075)	-23.45%
Crime Control Division	5,918	6,072	154	2.60%
Department of Justice	312,505	266,561	(45,944)	-14.70%
Office of Public Defender	122,406	94,577	(27,829)	-22.73%
Department of Corrections	1,867,877	1,586,905	(280,972)	-15.04%
Office of Public Instruction	45,967	32,803	(13,164)	-28.64%
Board of Public Education	1,426	1,399	(27)	-1.89%
School for the Deaf and Blind	89,587	67,252	(22,335)	-24.93%
Montana Arts Council	1,660	2,001	341	20.54%
Montana Library Commission	8,158	8,292	134	1.64%
Montana Historical Society	<u>19,095</u>	18,241	(854)	-4.47%
Total	<u>\$6,862,888</u>	<u>\$6,124,448</u>	<u>(\$738,440)</u>	

As shown, overall state agencies had actual premium reductions \$738,440 greater than the reduction of premiums anticipated in the amendment. However, while the majority of agencies can anticipate premium costs funded with general fund below budgeted costs, six agencies have costs above the budgeted amount. For example, the Department of Livestock premium costs funded with general fund will be \$3,431 more than anticipated through the budgeting process. As statute requires state agencies to pay the premiums in full in the year they are assessed regardless of availability of funds, agencies with higher than budgeted premium costs will need to reduce expenditures in other areas to cover the workers' compensation insurance costs. HB 334 was passed by the 2011 Legislature to reduce workers' compensation costs in Montana.

Included in the statute is a requirement that in any year in which the workers' compensation premium due from a state agency is lower than the previous year, the appropriation for that state agency must be reduced by the same amount that the workers' compensation premium was reduced and the difference must be returned to the originating fund instead of being applied to other purposes by the state agency submitting the premium. Figure 2 provides information on the premium costs for state agencies in FY 2011 and FY 2012 to show the impacts of the statute.

Figure 2

State Agency Workers' Compensation Costs Comparison between FY 2011 and FY 2012 Premium Costs			
Agency	FY 2011 Premiums Total	FY 2012 Premiums Total	HB 334 Appropriation Reductions
Legislative Branch	\$89,974	\$79,455	(\$10,519)
Consumer Council	3,909	3,767	(142)
Judicial Branch	265,771	218,405	(47,366)
Governor's Office	38,518	34,752	(3,766)
Secretary of State	53,210	37,831	(15,379)
Commissioner of Political Practices	2,186	2,109	(77)
State Auditor's Office	36,673	30,999	(5,674)
Office of Public Instruction	132,611	86,805	(45,806)
Crime Control Division	9,255	7,748	(1,507)
Department of Justice	1,248,602	1,168,934	(79,668)
Public Service Regulation	20,935	16,891	(4,044)
Board of Public Education	2,964	2,853	(111)
School for the Deaf and Blind	83,803	67,252	(16,551)
Montana Arts Council	5,133	5,011	(122)
Montana Library Commission	15,684	12,533	(3,151)
Montana Historical Society	31,536	30,952	(584)
Fish, Wildlife, and Parks	568,747	549,534	(19,213)
Department of Environmental Quality	215,077	169,361	(45,716)
Department of Transportation	4,443,735	3,859,668	(584,067)
Department of Livestock	191,639	150,835	(40,804)
Department of Natural Resources and Conservation	639,888	507,863	(132,025)
Department of Administration	332,637	263,117	(69,520)
Department of Revenue	470,752	270,813	(199,939)
Montana State Fund	265,418	188,736	(76,682)
Public Employee Retirement	17,505	15,423	(2,082)
Teachers Retirement Board	9,016	7,234	(1,782)
Office of Public Defender	108,234	94,799	(13,435)
Department of Agriculture	63,086	50,665	(12,421)
Department of Corrections	1,942,385	1,742,049	(200,336)
Department of Commerce	114,029	119,084	N/A
Department of Labor and Industry	600,848	463,786	(137,062)
Department of Military Affairs	255,165	198,383	(56,782)
Department of Public Health and Human Services	4,381,286	3,300,815	(1,080,471)
Total	\$16,660,211	\$13,758,462	(\$2,901,749)

As shown, with the exception of the Department of Commerce, under HB 334 all state agencies are required to revert appropriation authority because their FY 2011 premium costs were greater than premium costs in FY 2012. Taken in tandem with the reductions to HB 2 included by the Senate and base budget adjustments, the overall reductions can create budgetary shortfalls for some state agencies. Figure 3 shows the cumulative impacts to funding for workers' compensation insurance premiums between the FY 2012 base adjustments, reductions included in the Senate amendment, and appropriation reductions imposed HB 334.

Figure 3

Cumulative Impacts of Amendments to HB 2, HB 334, and FY 2012 Base Budget Provided for Legislative Branch								
	FY 2010	Increase in	HB 2	HB 334	Cumulative	Appropriation	FY 2012	Difference
	Premium	FY 2012	Amendment	Required	Changes	Provided	Premium	Between
Agency	Cost	Base Budget	Reduction	Reduction	to Funding	for Premiums	Costs	Budget/Costs
Legislative Branch	\$66,744	\$20,759	(\$8,877)	(\$10,519)	\$1,363	\$78,626	\$79,455	(\$829)

As shown in Figure 3, the cumulative effect of the various appropriation changes was \$1,363. For the Legislative Branch, the total reductions in appropriation authority require the branch to provide an additional \$829 from other funding sources to meet its obligations.

I requested a legal opinion from the Legislative Services Division to determine if a state agency is entitled to apply a "credit" toward the statutorily required HB 334 reduction by taking into account legislative actions in HB 2 for anticipated savings in workers' compensation. The opinion raises concerns with applying a credit for the legislative amendment to HB 2. I have attached the opinion to this request.

It should be noted that on October 24, 2011 the Office of Budget and Program Planning (OBPP) issued a memorandum to state agencies on the process to follow when accounting for the reductions required by HB 334. The memorandum outlines the calculation of the adjustment state agencies will be required to enter on budget change documents. As part of the calculation, general fund reductions taken on the Senate floor have been used to offset the reductions included in HB 334.

If you have additional questions or like to request additional information of this report please contact me at 444-2722 or at kwilkinson@mt.gov