



## **Timeline of key events related to Workers' Compensation funding (1987-2002)**

**July 1, 1987 - 0.3% Payroll Tax** placed on employers because of the un-funded liability in the State Fund

### **1989 regular legislative session – Creation of State Compensation Insurance Fund**

Initial creation of State Compensation Insurance Fund as a domestic mutual with regulation by the Insurance Commissioner

**1989 - June special session- HB 56- Transfer of \$20 million from the general fund to workers' compensation tax account**

### **May 1990 - special session - HB 2- Separation of liability of Old Fund and New Fund**

- Payroll Tax on employers modified to 0.28%
- The legislature separated the liability of the State Fund. Legislative oversight was increased and regulation by the Insurance Commissioner ended.
  - ✓ Liability of State Fund separated into claims that occurred before July 1, 1990, known as the "Old Fund", and claims that occurred on or after July 1, 1990, known as the "New Fund".
  - ✓ The "Old Fund" became funded by the payroll tax. The "New Fund" would administer the "Old Fund" on behalf of the legislature, but have no liability or funding responsibilities.
  - ✓ The "New Fund" or current Montana State Fund (MSF) received \$12 million start up and then became funded solely by insurance premiums and the investment income on insurance premiums.
  - ✓ Any dividends declared by the MSF were required to be transferred to the Old Fund

### **1993 regular legislative session- Addition to payroll tax**

- Payroll tax on employers was increased to 0.5%
- Payroll tax placed on employees of 0.2%
- Payroll tax placed on sole proprietors, partners, subchapter S. corporation Shareholders and members or managers of LLC's of 0.2%

**September 14, 1996 Board Meeting-Declaration of dividend of \$103 million from MSF to return \$12 million initial funding and pay off Old Fund bonds**

**1997 regular legislative session- Repayment of \$20 million to the general fund; payment of \$63.8 million to the Old Fund to pay claims and allow direct payment of dividends to MSF policyholders**  
The Montana State Fund returned the \$20 million received by what is now the Old Fund under HB 56.

MSF, in SB 67 also transferred \$63.8 million to the Old Fund. SB 67 also ended the requirement that dividends must be paid to the Old Fund and set up the test under which the payroll tax could terminate.



Legislative Study Committee Meeting  
September 23, 2002

**December 31, 1998 - Payroll Tax Terminated** as Old Fund meet the criteria to be considered “adequately funded”. The test continues today with any excess funds above “adequately funded” transferred to Montana State Fund in recognition of the \$166 million in dividends paid by “New Fund/Montana State Fund” to the Old Fund. (\$103 million in 1996 and \$63.8 million in 1998 pursuant to SB 67)

**2002 Special Session –SB 19 transferred \$4 million of Old Fund excess to General Fund and set up study committee to report to the 58<sup>th</sup> legislature on the structure of Montana State Fund.**