

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1203

2007 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1203

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1203

House Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: January 22, 2007

Recorder Job Number: 1493

Committee Clerk Signature

Stephanie N. Thomas

Minutes:

Chair Keiser opened the hearing on HB 1203.

Rep. Keith Kempenich, District 39: In HB 1203, we're talking about people that were involved in volunteer fire departments, in talking about life insurance and things like that.

See proposed amendment.

Rep. Johnson: Would this reduce the amount of money available for other kinds of things that fund is used for?

Rep. Kempenich: No it isn't. The rate now with firefighters is above that. This is coming out of what goes into the general fund right now. I think it's about \$3 million dollars that goes out to local districts now out of there, and this would be above that.

Rep. Johnson: There are some local subdivisions that are already collecting and raking tax dollars to purchase insurance to do just what you originated in here. Where's the inequity in that?

Rep. Kempenich: What the problem is that some districts have the ability to do that, other districts don't. It goes on the size of the district on how this money is distributed. The larger districts are probably already putting this out, and that is one of the things that you can't pick and choose whose going to get this, but it would help offset that.

Rep. Nottestad: It would help the ones that are taxing, but to a certain extent, we're rewarding the ones that haven't done anything.

Rep. Kempenich: It is, and there are a lot of arguments on this. In a way, that fund was set up to help fire districts, and in the past there hasn't been that much money in the fund to start with, and the last few biennium's we have had some money, over and above what's been going out to the districts, and it's been going into the general fund, so that's one of the reasons why I looked at this.

Rep. Nottestad: Have you had a chance to look at the districts that our taxing themselves now? Are the ones that are taxing themselves out the ones that can afford it, or is there any correlation to just not wanting to do it, or being able to afford it?

Rep. Kempenich: It's probably a little of both. Some of the larger districts are doing this, and a lot of the rural districts are kind of hand stringed by their constituents.

Rep. Kasper: Currently, the volunteer fire departments in various areas, how are they funded by the local entities? Is it a mill levy for the volunteer fire department, or is it in the county budget?

Rep. Kempenich: I think they have a mill dedicated to them. There is a mill for that fire district, and I think its run through the county commission. Each district gets a certain amount of money from the insurance fund to so, one district might get more out of that based on population and more premiums sold.

Rep. Kasper: In these mill levies that the counties are doing, is the mill levy capped by each district, because of an ex number of mills in the district, or is it capped by ex number of dollars, or is that up to the discretion of the local taxing authority?

Rep. Kempenich: I think they've got to vote on it to raise the mill. I think it's capped right now, unless they go to the vote, but it's got to be a county wide vote.

Rep. Vigesaa: Is the life insurance that these volunteer firefighters receive; is it mostly a benefit in case of a loss during an incident?

Rep. Kempenich: That's pretty much what it's designed for. There are policies out there that do cover volunteers during an act.

Rep. Thorpe: Of the two other bills plus this bill, have you had the opportunity to check the other bills to see if there are parts of this bill that will fit in them, or visa versa?

Rep. Kempenich: They were fairly active this summer on getting this done, so yes, there is other avenues of doing this.

Raymond Lambert, City Fire Marshall: I was hoping to clear up some concerned areas. The insurance premium dollars that is now quoted to the Firefighter Association distributed out, I believe, is \$5.2 million. Those monies to the volunteer fire service can be utilized for basically any services that they so desire to use those dollars for. The one concern I have with this is the mill levies that are collected by the fire service. We have recognized three organized departments. We have a fire department which is primarily city, we have a rural fire department which is a rural community surrounding the cities, and you have a fire protection district which encompasses a city and rural communities. They are capped mill levies. With a vote of the community they can go up to a 13 mill. In researching the communities that are in most dire need are the poorest communities, the less populated communities, where there's a grant award for providing a life insurance policy for communities up to \$1500, and that leaves the poorest of the poor to try to come up with the \$1500. Currently, some of those communities' premium returns are as low as \$200 per year. SB 2183 takes care of the death benefit if they support it, with a very small fiscal note.

Rep. Nottestad: When these rural districts have a vote to change going up on mill levies, is it a vote of both living in the district, or a vote of those owners that hold the property? Have you

gotten much word that the tenants have been advised to vote against it by are very land owners?

Raymond: The vote on the mill levy comes from the property owners within that fire district. There is a lot of changing going on right now in the fire districts so, there is a lot of activity in all four corners of the state as to vote to annex into another district, or vote a negative on the mill levy increase with the thought of they get annexed, then there's the old levy if they're annexed into another district, and they go to five over night. So, there is some negative push to go against raising mill levies.

Rep. Dietrich: SB 2183 that has a fiscal note, could you tell me what the fiscal note is?

Raymond: It would pay up on the death of a firefighter in the line of duty a \$10,000 payout.

Rep. Kasper: So, 6 deaths in the last 10 years, which would be \$10,000 times 6 which is \$60,000 in benefits that would have been paid. We're talking about \$½ million per year appropriation that will be \$5 million in 10 years. It would appear to me that you'd be better of to set up a self funding death benefit if we want to keep the money in the pool and pay off death benefits, as opposed to purchasing an insurance policy.

Raymond: I to support that thought.

Rep. Keiser: Does SB 2183 cover all fire personnel?

Raymond: That bill covers the volunteer firefighters.

Chuck Johnson, Insurance Department: I did sit in on the hearing for SB 2183, and I think the committee was going to amend the bill. The way it was originally drafted, it included just the death of a firefighter that occurred while traveling to, during, or 48 hours after. There was questions raised about training deaths, or people that die as a result of injuries received, and I think the committee was going to put some amendments in to cover that. With respect to the

fiscal note of \$50,000, that was going to be the fund that was going to be available to payments from the fund whenever a death occurred.

Rep. Kasper: Would that \$50,000 fund be kept by the Insurance Department as part of the other dollars?

Chuck: Yes. There was a one time appropriation up to \$50,000, but it doesn't really say what happened after that \$50,000 was gone.

Hearing closed.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1203

House Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: 01-29-2007

Recorder Job Number: 2123

Committee Clerk Signature

Lisa M Thomas

Minutes:

Chairman Keiser allowed committee discussion on HB 1203. HB 1203 relates to provide for matching funds for life insurance for volunteer firefighters.

Rep. Vigesaa: When we deliberated on HB 1203 previously there was another bill in the Senate that was addressing death benefits for volunteer firefighters, are you aware of how that has come through?

Rep. Keiser: I believe it went through the Senate.

Rep. Kasper: If you recall, the testimony or the cost was somewhere around a half of a million dollars, that is the fiscal note, to buy life insurance. In testimony, in the past ten years, only six volunteer firefighters have died while on duty. Which would be ten thousand times six or sixty thousand dollars? They are proposing up to half of a million dollars a year in premium to buy the life insurance for a benefit that cost sixty thousand dollars in ten years. If we were to go forward on this, it should be amended to self insure opposed to buying the life insurance.

Rep. Keiser: Not only that, but this is purchasing life insurance, not a death benefit from a fire. The Senate bill, if you died at the fire, you got the ten thousand, this bill, if you die, you get the ten thousand, fire related or not.

Rep. Johnson: I also spoke to the sponsor of SB 2183 and that one includes, on the way to the fire, and forty eight hours afterwards and the funding for it, the insurance commissioner has said that they could use the money from the insurance funds that are up there, so it wouldn't be a general fund expenditure.

Rep. Kasper: The intent for this bill was for death benefits during duty, fighting a fire.

Rep. Zaiser: I am concerned about, I really don't see the cost, it would benefit the entire state and I really don't see that kind of risk. I don't know if this would be more appropriate in the Senate bill.

Rep. Kasper moved a DO NOT PASS. Rep. Gruchalla seconded.

Roll Call Vote: 13 yes. 0 no. 1 absent.

Carrier: Rep. Vigesaa

FISCAL NOTE
 Requested by Legislative Council
 01/08/2007

Bill/Resolution No.: HB 1203

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$500,000			
Appropriations			\$500,000			

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

See explanation in 2B.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

This bill establishes a matching grant program to allow a fire district to purchase, or subsidize the purchase of, life insurance for firefighters. We understand from the sponsor that the sponsor will be asking for an appropriation of \$500,000 to fund the grant moneys. The appropriation request will be similar to and in addition to the appropriation request for fire districts found in Section 3 of SB 2010, the Insurance Department appropriation bill.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

See explanation above.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

See explanation above.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

See explanation above.

Name:	Charles E. Johnson	Agency:	Insurance Department
Phone Number:	328-2440	Date Prepared:	01/12/2007

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1203

Page 1, line 1, after "firefighters" insert "; to amend and reenact section 18-04-04.1 and subsection 1 of section 26.1-03-17 of the North Dakota Century Code, relating to using insurance tax distribution funds to provide life insurance grants to volunteer fire departments; and to provide an appropriation"

Page 1, after line 2, insert:

"SECTION 1. AMENDMENT. Section 18-04-04.1 of the North Dakota Century Code is amended and reenacted as follows:

18-04-04.1. Insurance tax distribution fund. The insurance tax distribution fund is a special fund in the state treasury. The portion of revenue provided in section 26.1-03-17 and section 3 of this Act must be deposited in the fund for disbursement as provided in this chapter, subject to legislative appropriation.

SECTION 2. AMENDMENT. Subsection 1 of section 26.1-03-17 of the North Dakota Century Code is amended and reenacted as follows:

1. Before issuing the annual certificate required by law, the commissioner shall collect from every stock and mutual insurance company, nonprofit health service corporation, health maintenance organization, and prepaid legal service organization, except fraternal benefit and benevolent societies, doing business in this state, a tax on the gross amount of premiums, assessments, membership fees, subscriber fees, policy fees, service fees collected by any third-party administrator providing administrative services to a group that is self-insured for health care benefits, and finance and service charges received in this state during the preceding calendar year, at the rate of two percent with respect to life insurance, one and three-fourths percent with respect to accident and health insurance, and one and three-fourths percent with respect to all other lines of insurance. This tax does not apply to considerations for annuities. The total tax is payable on or before March first following the year for which the tax is assessable. Collections from this tax must be deposited in the insurance tax distribution fund under section 18-04-04.1 but not in an amount exceeding one-half of the biennial amount appropriated for distribution under section 18-04-05 and section 3 of this Act in any fiscal year. Collections from this tax exceeding the amount deposited in the insurance tax distribution fund each fiscal year must be deposited in the general fund in the state treasury. If the due date falls on a Saturday or legal holiday, the tax is payable on the next succeeding business day."

Page 1, line 8, after the underscored period insert "Annually, the commissioner shall allocate one-half of the biennial legislative appropriation for distribution under this section to eligible volunteer fire departments."

SECTION 4. APPROPRIATION. There is appropriated out of any moneys in the insurance tax distribution fund in the state treasury, not otherwise appropriated, the sum of \$500,000, or so much of the sum as may be necessary, to the insurance commissioner for the purpose of making payments of insurance premiums tax collections to volunteer fire departments under section 3 of this Act, for the biennium beginning July 1, 2007, and ending June 30, 2009."

Renumber accordingly

Date: 1-29-07
Roll Call Vote #: _____

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1203

House Industry Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Rep Kasper Seconded By Rep. Gruchalla

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep. Amerman	X	
Vice Chairman Johnson	X		Rep. Boe	X	
Rep. Clark	X		Rep. Gruchalla	X	
Rep. Dietrich	X		Rep. Thorpe	X	
Rep. Dosch			Rep. Zaiser	X	
Rep. Kasper	X				
Rep. Nottestad	X				
Rep. Ruby	X				
Rep. Vigesaa	X				

Total Yes 13 No 0

Absent 1

Floor Assignment Rep. Vigesaa

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
January 29, 2007 1:11 p.m.

Module No: HR-19-1438
Carrier: Vigesaa
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1203: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **DO NOT PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).
HB 1203 was placed on the Eleventh order on the calendar.