

OFFICE OF THE GOVERNOR
STATE OF MONTANA

BRIAN SCHWEITZER
GOVERNOR



JOHN BOHLINGER
LT. GOVERNOR

May 4, 2011

The Honorable Linda McCulloch
Secretary of State
State Capitol
Helena, MT 59620

Bill Text w/Gov Line-Item Veto

Dear Secretary McCulloch:

In accordance with the power vested in me as Governor by the Constitution and the laws of the State of Montana, I hereby deliver to you House Bill No. 604 (HB 604), "**AN ACT PROVIDING FOR FUND TRANSFERS AND AN APPROPRIATION; AUTHORIZING FUND TRANSFERS FROM THE TELECOMMUNICATIONS SERVICES AND SPECIALIZED TELECOMMUNICATIONS EQUIPMENT ACCOUNT, THE OLDER MONTANANS TRUST FUND, AND THE FIRE SUPPRESSION ACCOUNT TO THE GENERAL FUND; AUTHORIZING FUND TRANSFERS FROM THE MOTOR VEHICLE AND RECYCLING ACCOUNT, THE ORPHAN SHARE ACCOUNT, THE COAL BED METHANE PROTECTION ACCOUNT, AND THE OIL AND GAS CONSERVATION ACCOUNT TO THE GUARANTEE ACCOUNT FOR DISTRIBUTION TO SCHOOL DISTRICTS; AUTHORIZING A FUND TRANSFER FROM THE OLDER MONTANANS TRUST FUND TO THE HEALTH AND MEDICAID INITIATIVES ACCOUNT; AUTHORIZING A FUND TRANSFER TO THE OLD FUND WORKERS' COMPENSATION ACCOUNT FROM THE GENERAL FUND AND THE OLD FUND LIABILITY ACCOUNT; REVISING THE TRANSFER TO THE RESEARCH AND COMMERCIALIZATION STATE SPECIAL REVENUE ACCOUNT FOR FISCAL YEARS 2012 AND 2013; IMPOSING A PREMIUM FEE ON CERTAIN WORKERS' COMPENSATION POLICIES; CREATING A STATE SPECIAL REVENUE ACCOUNT; AMENDING SECTIONS 15-35-108, 39-71-2352, 52-3-115, 53-19-310, 75-10-532, 75-10-743, 76-13-150, 76-15-904, AND 82-11-135, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE, AN APPLICABILITY DATE, AND TERMINATION DATES,**" which I have signed into law with one significant change.

Late on the last day of the regular session of the 62nd Legislature, a conference committee comprised of six legislators substantially re-worked HB 604. To the surprise and objection of many, among the amendments approved by the conference committee to HB 604 on the final legislative day was an amendment that assessed – *through June 30, 2023* -- a 2.75% tax on all workers' compensation premiums paid by businesses and employers throughout Montana that obtain their workers' compensation insurance from the state compensation insurance fund, otherwise known as the "State Fund." This new tax on employers is intended to pay claims that are anticipated to be made against the "old fund," for injuries resulting from accidents that occurred before July 1, 1990. Absent this tax increase, these claims will be paid under current law out of the general fund. With great division and dissent, the Montana House and Senate approved the

Hon. Linda McCulloch
May 4, 2011
Page 2

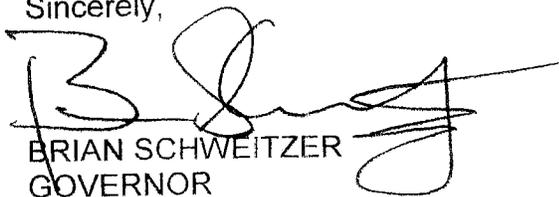
conference committee report to HB 604 at 8:31 p.m. and 8:41 p.m., respectively, just prior to adjourning *sine die*.

Most outrageous, however, is that the tax to be charged employers *until the year 2023* - - anticipated to raise approximately \$7,314,660 over the next biennium, alone -- was supported by a majority of conservative legislators who identified as primary goals both job-creation and the lowering of workers' compensation costs for Montana employers. The mechanisms in HB 604 to pay old fund workers' compensation liabilities do nothing to create jobs or lower workers' compensation premiums for Montana employers. In fact, they do the exact opposite.

We should not forget how this state debt was created in the first place. In 2003, in order to balance the state budget, the Legislature chose to take \$52,568,000 from the "old fund" to subsidize general fund spending (HB363, 2003 regular session). It should further be noted that the cost to the state of this transfer is \$60,770,534 (Montana State Fund 2011 Budget Analysis: Old Fund and New Fund, Legislative Fiscal Division, Nov. 4, 2010)

I oppose this tax on Montana businesses of roughly \$7,314,660 over the next biennium to pay for the anticipated "old fund" liabilities. The version of HB 604 passed by the majority party of the Legislature does not assist Montana employers and does not help create Montana jobs. I, therefore, have exercised my item veto authority under Article VI, § 5 of the Montana Constitution and have stricken from the bill all provisions of HB 604 related to payment of "old fund" workers' compensation liabilities (liabilities for claims arising from accidents that occurred before July 1, 1990). Most importantly, this item veto removes from HB 604 the 2.75% tax increase that otherwise would be assessed on workers' compensation premiums paid by employers insured by the State Fund.

Sincerely,


BRIAN SCHWEITZER
GOVERNOR

cc: Legislative Services Division