

Department of Planning and Budget 2012 Fiscal Impact Statement

1. Bill Number: HB148

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Ransone

3. Committee: Commerce and Labor

4. Title: Unemployment benefits; each applicant, for eligibility, to provide VEC results of a drug test.

5. Summary: This bill requires each applicant for unemployment benefits, as a condition of eligibility, to provide the Virginia Employment Commission (VEC) with the results of a drug test that is negative for the use of a nonprescribed controlled substance.

6. Budget Amendment Necessary: Yes, Item 124.

7. Fiscal Impact Estimates: Preliminary.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2012	0	0	n/a
2013	\$1,018,565	19.8	Not Specified
2014	\$1,018,565	19.8	Not Specified
2015	\$1,018,565	19.8	Not Specified
2016	\$1,018,565	19.8	Not Specified
2017	\$1,018,565	19.8	Not Specified
2018	\$1,018,565	19.8	Not Specified

8. Fiscal Implications: This bill would require VEC staff to perform additional activities that would result in an increase in agency workload. Specifically, VEC would be responsible for informing claimants of their obligation to provide the results of a drug test, for reviewing the drug test results that were submitted, and for referring those claims for adjudication that did not meet the requirements of the statute.

According to current federal law, VEC is required to issue a formal determination with appeal rights whenever the agency denies benefits to a claimant. Thus, this bill may result in additional administrative costs to VEC in three ways – claims review, initial adjudication, and on appeal.

- Claims review: During the period of January 1, 2008, through September 30, 2011, a total of 1,508,404 regular state unemployment insurance claims were filed with VEC; for an annual average of 402,404 per year. VEC estimates that this bill would increase the

amount of time needed to review each claim by approximately two minutes per claim. With an average of 402,404 claims per year, an additional two minutes per claim would create an additional 13,413 hours of work to review claims. Based on the annual number of hours worked by a full-time employee (FTE) of 2,080, approximately **6.5 FTEs** would be needed to review claims. VEC estimates these positions to cost **\$298,016 per year** (based on the average salary of \$46,565 for a workforce services representative).

- Initial adjudication: Currently, there is no requirement that applicants submit results of a drug test, so there is no way of knowing the exact percentage of claims that would be denied based on the new criteria established by this bill. However, VEC estimates that the number of claims that would require formal adjudication may equal what is currently experienced with another eligibility issue – the requirement that claimants be able to work, available for work and actively seeking work each week. During the last four years, VEC has issued an average of 24,334 determinations that found claimants were ineligible for benefits based on this current criterion. These determinations are made by a deputy following a fact-finding interview. A deputy typically issues 2,000 determinations each year. Thus, adding 24,334 more eligibility determinations (assuming that the requirement established by this bill would have similar results as current criterion), VEC estimates that this bill would require the hiring of an additional **12.2 FTEs** at a total cost of **\$646,002 per year** (based on the average salary of \$52,961 for a deputy).
- Appeals: Again based on the outcome of current criterion, VEC estimates that this bill may result in 1,367 additional appeals annually (based on an assumption of 17 percent of claims being appeals). Appeals examiners who conduct the hearings and issue the decisions typically handle 1,200 cases annually. Thus, an additional **1.1 FTEs** would be required to handle additional cases presumed to arise from this bill. This would represent an additional cost of **\$74,547 per year**.

Overall, annual costs to the Commonwealth that may result from this bill are as follows:

	Cost	Positions (FTE)
Claims review	\$ 298,016	6.5
Initial adjudication	\$ 646,002	12.2
<u>Appeals</u>	<u>\$ 74,547</u>	<u>1.1</u>
Total	\$1,018,565	19.8

At this time, it is not known whether or not the provisions of this bill would pose a conformity issue with federal unemployment benefit laws. If the bill is not declared as non-conforming, federal appropriations may be used for the administration costs created by this bill. However, if the provisions of this bill are determined to be non-conforming, no federal dollars will be provided or permitted for use in administering the provisions of this bill. As such, the funding to support the administrative costs created by this bill would need to come from the agency's Special Unemployment Compensation Administration Fund (§ 60.2-314, Code of Virginia), or

the state general fund.

9. Specific Agency or Political Subdivisions Affected: Virginia Employment Commission.

10. Technical Amendment Necessary: No.

11. Other Comments: HB562 also requires screening for the use of nonprescribed controlled substances in order to be eligible to receive unemployment insurance benefits.

In addition, claimants are responsible for any and all costs associated with the drug testing required by this bill.

Date: 1/13/2012