

Department of Planning and Budget 2014 Fiscal Impact Statement

1. **Bill Number:** HB456

House of Origin Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. **Patron:** Kilgore, T.G.

3. **Committee:** Passed Both Houses

4. **Title:** Workers' compensation; civil penalty for failure to make required reports; collection costs.

5. **Summary:** Clarifies that the Virginia Workers' Compensation Commission is authorized to assess a civil penalty against an insurance carrier, self-insurer, group self-insurance association, or third party administrator that fails to make reports required by the Commission. The measure also provides that (i) civil penalties will be allocated equally between the administrative fund and the Uninsured Employer's Fund and (ii) the Commission may add the costs of collecting the civil penalty to the aggregate civil penalty, with the collected costs to be paid into the administrative fund.

6. **Budget Amendment Necessary:** No.

7. **Fiscal Impact Estimates:** Fiscal impact estimates are final.

7a. **Expenditure Impact:** None.

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2014	0	
2015	\$25,000	NGF
2016	\$25,000	NGF

8. **Fiscal Implications:** The Workers' Compensation Commission states that this bill is expected to produce approximately \$25,000 in additional nongeneral fund revenue per year beginning in FY 2015. The additional revenue is a result of the Commission's ability to add the costs of collecting civil penalties to the aggregate civil penalty owed.

The estimated amount is based on the assessment of a 30 percent collection fee on penalties that are not promptly paid and are referred to an outside collection agency. Currently, the Commission receives 70 percent of all penalties collected by the outside agency, with the outside agency retaining the remaining 30 percent as its fee. The Commission estimates approximately half of all assessed penalties for failure to make required reports will be referred to an outside collection agency. Based on a total of \$150,000 assessed penalties in

FY 2013, half are assumed to be referred to an outside collection agency each year. Therefore, the Commission estimates it will receive additional revenue equal to 30 percent of \$75,000 in penalties referred to collections agencies for an annual total of \$25,000 in additional collection fee revenue beginning in FY 2015, after the bill takes effect.

Assessments of penalties exclusive of the costs of collection are not expected to be materially affected by the bill.

The agency states that it expects to be able to absorb any changes in workload associated with the bill within its existing resources and staffing. Therefore, no budget amendment is necessary.

9. Specific Agency or Political Subdivisions Affected: Workers' Compensation Commission.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 2/24/2014

Document: H:\General Government\General Assembly\2014 Session\Workers' Compensation Commission\HB456ER.doc