

Department of Planning and Budget

2014 Fiscal Impact Statement

1. Bill Number: HB458

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 penalties; collection costs.

5. Summary: Increases the maximum civil penalty that may be assessed against an employer for failure to obtain workers' compensation insurance or provide evidence of compliance with the Virginia Workers' Compensation Act to \$50,000. Currently, noncompliant employers are subject to a civil penalty of not less than \$500 nor more than \$5,000. The measure provides that, subject to the maximum, the penalty for each day of noncompliance will be no more than \$250. The measure also provides that (i) civil penalties will be allocated equally between the Workers' Compensation Commission's 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. See Item 8.

7a. Expenditure Impact: None.

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2014	-	-
2015	\$650,000	NGF
2016	\$650,000	NGF

8. Fiscal Implications: According to the Workers' Compensation Commission, this bill is expected to result in approximately \$650,000 additional nongeneral fund revenue per year. This estimate is based on total FY 2013 penalties assessed and collected. Of the additional revenue, \$500,000 is expected to result from an increase in civil penalties from the increase in the maximum penalty and \$150,000 is expected to result from the recovery of collection costs. The bill removes the designation of a minimum penalty amount, which is not expected to affect revenue based on historic assessment amounts.

The estimated recovery for collection costs is based on the assessment of a collection fee of 30 percent of penalty amounts for penalties that are not promptly paid and are therefore

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 that a total of \$500,000 in penalties for employers' failure to comply with the Workers' Compensation Act will be referred to a collection agency, with collection fees equal to 30 percent of this amount.

The agency states it expects to be able to absorb any minor changes in workload that may result from the collection and assessment of penalties and collection fees associated with this bill with its current resources and staff.

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

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 2/24/2014

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