

Department of Planning and Budget 2018 Fiscal Impact Statement

1. Bill Number: HB82

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

2. Patron: Habeeb

3. Committee: Passed Both Houses

4. Title: Workers' compensation; Uninsured Employer's Fund, financing tax

5. Summary: Repeals an enactment clause that provides that the maximum tax rate that may be assessed on uninsured or self-insured employers for the purpose of funding workers' compensation benefits that are awarded against such employers from the Uninsured Employer's Fund will revert from 0.5 percent to 0.25 percent on July 1, 2018. Repealing the enactment will maintain the maximum rate at its current level of 0.5 percent.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Final. Indeterminate – see Item 8.

8. Fiscal Implications: According to the Virginia Workers' Compensation Commission (VWC), reverting to the previous maximum rate of 0.25 percent may negatively impact the long-term solvency of the Uninsured Employer's Fund (UEF). Tax proceeds have remained relatively stable for the past few years; however, UEF claim payments have steadily increased – see table below. For example, UEF claim payments in fiscal year 2017 totaled \$5.1 million, the highest amount paid in several years.

Uninsured Employer's Fund (UEF) History						History of UEF Impact on Administrative Fund	
Year	Tax Rate	Tax Proceeds	Other Revenue (Fines & Recoveries)	Total UEF Revenue	UEF Claims	Attorney Fees	Third Party Administration/ Audit Fees
2017	0.20%	\$ 3,079,709	\$ 1,000,512	\$ 4,080,221	\$ 5,093,591	\$ 892,361	\$ 475,235
2016	0.20%	\$ 3,033,248	\$ 894,752	\$ 3,928,000	\$ 4,425,402	\$ 1,118,674	\$ 349,925
2015	0.20%	\$ 3,001,256	\$ 1,346,151	\$ 4,347,407	\$ 3,977,551	\$ 1,180,572	\$ 390,617
2014	0.20%	\$ 2,856,142	\$ 680,021	\$ 3,536,163	\$ 4,233,901	\$ 979,075	\$ 371,678
2013	0.35%	\$ 4,735,959	\$ 446,641	\$ 5,182,600	\$ 4,051,832	\$ 1,227,192	\$ 466,871

Also, the administration of the UEF is funded by the VWC under contract with a flat annual cost to the VWC's administrative fund. A significant increase in claims may increase costs paid from the VWC's administrative fund.

The financial impact to the State Employee Workers' Compensation Services program, administered by the Department of Human Resource Management, cannot be determined. Factors such as the Commonwealth's payroll, the amount of payroll in each National Council on Compensation Insurance (NCCI) class code, increases or decreases in rates applied (as recommended by (NCCI) and adopted by the State Corporation Commission) can affect the calculated tax for the program, which may impact the workers' compensation premiums paid by state agencies.

- 9. Specific Agency or Political Subdivisions Affected:** All state agencies, self-insurers such as the Department of Human Resource Management's State Employee Workers' Compensation Services program, and insurance carriers.

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** In addition to paying the workers' compensation claims of uninsured employers, the UEF is the guaranty fund for the insolvency of group self-insurance associations, which is administered by the State Corporation Commission and the individual self-insured employers and municipalities administered by VWC.