

Department of Planning and Budget 2020 Fiscal Impact Statement

1. **Bill Number:** HB1543

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

2. **Patron:** Carter

3. **Committee:** Labor and Commerce

4. **Title:** Minimum wage and workers' compensation; inmates as employees.

5. **Summary:** This bill requires that inmates who perform labor during their incarceration must be paid at a rate not less than the Commonwealth's minimum wage. The measure also provides that, for purposes of the Virginia Workers' Compensation Act, an inmate is an employee of the entity operating the correctional facility where the inmate participates in any work program during his incarceration.

6. **Budget Amendment Necessary:** Yes, HB30/SB30, Item 400 (Department of Corrections and Virginia Correctional Enterprises); Item 400 (Department of Corrections), and Item 57 (Office of the Attorney General). See Item 8, below.

7. **Fiscal Impact Estimates:** Preliminary, see item 8.

Expenditure Impact: Department of Corrections:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2020	N/A	N/A
2021	\$182,894,838	GF
	\$12,802,760	NGF
2022	\$182,894,838	GF
	\$12,802,760	NGF
2023	\$182,894,838	GF
	\$12,802,760	NGF
2024	\$182,894,838	GF
	\$12,802,760	NGF
2025	\$182,894,838	GF
	\$12,802,760	NGF
2026	\$182,894,838	GF
	\$12,802,760	NGF

Expenditure Impact: Department of Corrections:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2020	N/A	N/A	N/A
2021	\$5,345,421	58	GF
2022	\$5,345,421	58	GF

2023	\$5,345,421	58	GF
2024	\$5,345,421	58	GF
2025	\$5,345,421	58	GF
2026	\$5,345,421	58	GF

Expenditure Impact: Office of the Attorney General

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2020	N/A	N/A	N/A
2021	249,418	2	GF
2022	249,418	2	GF
2023	249,418	2	GF
2024	249,418	2	GF
2025	249,418	2	GF
2026	249,418	2	GF

- 8. Fiscal Implications:** It is anticipated that this bill will result in a general fund (GF) expenditure impact to the Department of Corrections (DOC) and the Office of the Attorney General (OAG). There also would be a nongeneral fund (NGF) impact on the DOC's Correctional Enterprise unit (VCE), which is a self-supporting unit that provides job training to offenders through the sale of various products and services to government agencies. There are approximately 16,000 wage-earning offenders in DOC, 1,100 of whom are employed by VCE. Currently, offenders whose wages are paid through the GF earn an average of \$0.38 per hour; offenders who are employed by VCE earn an average of \$0.69 per hour. The first table above reflects the bill's anticipated impact to DOC by fund source.

Because the VCE is a self-supporting entity within DOC, the impact of raising pay for employed inmates would have to be absorbed within available resources. This likely will have the effect of raising prices for products and services sold through VCE. Additionally, profits earned by DOC's Agribusiness unit, which are generated through the sale of farm and dairy products, are deposited into the general fund each year. It is likely that these deposits will be affected by any increase in offender wages.

Annual Expenditure Impact Projections for the Department of Corrections					
Projected Hours Worked Per Week	Projected Cost Per Week At \$7.25 Per Hour	Projected Annual Wage Cost	Projected Annual FICA Cost	Projected Annual Wage Plus FICA	Projected Annual General Fund Impact
473,465	\$3,432,621	\$178,496,305	\$13,654,967	\$192,151,272	\$182,894,838

Annual Expenditure Impact Projections for Virginia Correctional Enterprises		
Projected annual cost for offender wages at \$7.25 per hour	Projected annual FICA cost	Projected annual wage plus FICA
\$11,892,949	\$909,811	\$12,802,760

*The projected annual impact for VCE is based on its number of offender workers (1,100) and the agency's offender workforce total expenses from FY 2019.

Additionally, DOC anticipates that this bill will result in additional staffing requirements in human resources, risk management, and payroll functions if DOC implements new procedures to manage and track the offender work force. As such, DOC indicates that it will require \$5.35 million in general fund support in each year to support 58 additional staff members. Currently, the agency's human resources, risk management, and payroll functions support approximately 12,000 classified and wage employees.

This bill would entitle inmates to workers' compensation benefits paid by the correctional facility housing them, if they are injured. As such, the Office of the Attorney General (OAG) anticipates a general fund expenditure impact of \$249,417 in FY 2021 and each year thereafter to support two positions to handle the additional workers' compensation claims.

It is anticipated that this bill will result in an indeterminate fiscal impact to the Virginia Workers' Compensation Commission.

The Department of Labor and Industry is currently reviewing this bill for potential impacts.

The bill may have a fiscal impact on local correctional facilities that have an offender work program; however, the impact on local correctional facilities cannot be determined at this time.

The Department of Juvenile Justice is currently reviewing this bill for potential impacts.

9. Specific Agency or Political Subdivisions Affected: Department of Corrections; Office of the Attorney General; Department of Juvenile Justice; Department of Labor and Industry; local correctional facilities.

10. Technical Amendment Necessary: No.

11. Other Comments: None.