

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 658 (Delegate Simmons)
Economic Matters

Workers' Compensation - Uninsured Employers - Penalties

This bill requires the Uninsured Employers Fund (UEF) to file statements of charge in District Court against any employer alleged to have violated workers' compensation coverage requirements. Maximum fines and terms of imprisonment are increased for employers who fail to secure, or allow a lapse in workers' compensation insurance.

Fiscal Summary

State Effect: Potential significant increase in expenditures in the District Courts based on projected increase in caseload. Potential minimal increase in general fund revenues and expenditures due to the bill's penalty provisions.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: Maximum fines for failure to comply with coverage requirements increase from \$5,000 to \$10,000 and maximum imprisonment terms increase from one year to five years.

Current Law: Fines collected from employers who do not have workers' compensation insurance are credited to the Workers' Compensation Commission (WCC). Fines collected from employers who have allowed coverage to lapse are credited to UEF.

Background: WCC currently requests certification of coverage from the National Council on Compensation Insurance (NCCI). If an employer does not appear in the NCCI database, WCC requests verification of coverage from the employer. WCC then passes on the information to UEF for investigation. UEF advises that WCC will not verify any information returned by the employer.

UEF indicates that it receives approximately 1,200 alleged uninsured employer notifications annually from WCC. UEF currently investigates and informs WCC whether or not the employer is insured. The bill is interpreted to require UEF to file charges against any employer WCC refers to it prior to an investigation of the veracity of the allegation. This includes circumstances when the employer has provided proof of coverage to WCC.

State Revenues: General fund revenues could increase minimally as a result of the bill's monetary penalty provisions from cases heard in the District Court. Fines in instances of lack of coverage would be paid to WCC. Fines in instances of allowing coverage to lapse would be paid to UEF.

State Expenditures: UEF estimates it would require two additional investigators and one additional clerical position to investigate allegations and file statements of charges. The Department of Legislative Services (DLS) does not concur. The provisions of the bill do not require any additional investigations on the part of UEF, which already conducts such investigations. The bill requires that the agency file a statement of charges in the District Court. DLS advises that additional filing requirements by UEF could be handled with existing resources.

To the extent that additional caseloads occur in particular jurisdictions, additional commissioners would be required to process the filing of 1,200 new cases annually.

DLS does note that investigations already performed by UEF may be used as evidence in trials, or as the basis for dismissal of charges when warranted, and may mitigate the impact of the bill on the District Courts.

General fund expenditures could increase minimally as a result of the bill's incarceration penalties due to more people being committed to Division of Correction facilities for longer periods of time and increased payments to counties for reimbursement of inmate costs. The number of people convicted of this proposed crime is expected to be minimal. The UEF indicates that it has not pursued criminal charges for violations of coverage laws in over 10 years.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Uninsured Employers' Fund, Workers' Compensation Commission, Injured Workers' Insurance Fund, Subsequent Injury Fund, Judiciary (Administrative Office of the Courts), Department of Legislative Services

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mh/mdr

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