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FISCAL IMPACT REPORT

ORIGINAL DATE 02/07/11

SPONSOR Lopez LAST UPDATED _____ HB _____

SHORT TITLE Recovery of Enforcement Costs from Employers SB 273

ANALYST Peery-Galon

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY11 | FY12 | FY13 | 3 Year Total Cost | Recurring or Non-Rec | Fund Affected |
|--------------|------|--------------------|--------------------|---------------------|----------------------|---|
| Total | | (\$1.2) to (\$8.0) | (\$1.2) to (\$8.0) | (\$2.4) to (\$16.0) | Recurring | Workers' Compensation Administration Fund |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Workers' Compensation Administration (WCA)
 Economic Development Department (EDD)
 General Services Department (GSD)

No Responses Received From

Municipal League

SUMMARY

Synopsis of Bill

Senate Bill 273 amends Section 52-1-62 NMSA 1978 empowering the director of Workers' Compensation Administration to seek reimbursement from the employer of all costs associated with the enforcement of the Workers' Compensation Administration Act. Reimbursement includes, but is not limited to, the cost of service of process, recording fees and locksmith expenses. Any reimbursement is to be deposited in the workers' compensation administration fund.

FISCAL IMPLICATIONS

WCA reported the agency has traditionally borne the costs of enforcing the Workers' Compensation Administration Act and paid for new locks for businesses that were served a temporary restraining order until they obtain their workers' compensation insurance. These costs can sometimes be high depending on the number of entrances to the building and what type of

locks involved. WCA stated that one lockout in FY11 cost the agency \$350. Temporary restraining orders are generally served upon employers who refuse to obtain their insurance after an administrative hearing. Sometimes temporary restraining order are served before an administrative hearing if an employer has repeatedly been out of compliance or has a business that is high-risk. The cost of serving an employer notice of a hearing is another routine expense that the proposed legislation will allow the agency to collect from the non-compliant employer. The expense of serving an employer notice includes a range of \$20 to \$350. Base on the information provided it is estimated the proposed legislation will produce a savings of \$1,200 to \$8,000 annually.

GSD noted that if the department was found to be non-compliant with the Workers' Compensation Administration Act, it would pay the costs as referred to in the proposed legislation. GSD reported any fiscal impact would be minimal.

SIGNIFICANT ISSUES

WCA noted the proposed legislation will allow the agency to pass along the cost of service of process and for the new locks to the employers who actually receive them by virtue of failing to comply with New Mexico law.

ADMINISTRATIVE IMPLICATIONS

GSD stated while the extra cost avoidance is critical, the placing of the necessary checks and balances in state agencies to assure compliance is just as important and of priority to the department.

OTHER SUBSTANTIVE ISSUES

WCA reported the proposed legislation has been approved by the Advisory Council on Workers' Compensation and Occupational Disease and Disablement.

RPG/bym