


Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LLS 07-0190

Date: April 16, 2007

Prime Sponsor(s): Rep. Soper

Bill Status: House Business Affairs and Labor

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TITLE: CONCERNING WORKERS' COMPENSATION COVERAGE FOR WORKERS IN THE CONSTRUCTION INDUSTRY.

Fiscal Impact Summary	FY 2007-2008	FY 2008-2009
State Revenue		
Workers' Compensation Cash Fund	Minimal Increase	Minimal Increase
State Expenditures	\$0	\$0
FTE Position Change:	0.0 FTE	0.0 FTE
Effective Date: October 1, 2007.		
Appropriation Summary for FY 2007-2008: None required.		
Local Government Impact: None.		

Summary of Legislation

The bill requires most persons performing construction work on a construction site to be covered by workers' compensation insurance and it specifies that it is the responsibility of the person who contracts for construction work to either provide workers' compensation coverage or require proof of coverage. Real property owners or occupants, some independent contractors, corporate officers, and members of limited liability companies do not require coverage. Violations are punishable by an administrative fine of up to \$500 per day except that a site owner, general contractor, or any other person who is not a party to a construction contract cannot be fined.

State Revenue

The fiscal note estimates nearly universal compliance with the provisions of this bill. It is expected that Owner-Controlled Insurance Programs (OCIPs) or wrap-ups will be utilized by those contracting for construction work. An OCIP is a single insurance program that insures the owner, all enrolled contractors, subcontractors, and others designated by the owner for work performed and property located at the project site. The bill establishes a fine of up to \$500 per day for violations; however, the fiscal note anticipates only minimal revenue due to the anticipated high level of compliance and discretion in the fine amount.

State Expenditures

All Departments. The bill conforms with current state policy. As outlined in the *Colorado Contract Procedures and Management Manual*, the state requires its contractors to maintain certain minimum types and levels of insurance, including workers' compensation insurance. This bill is not expected to significantly impact the state's procedures for entering into construction contracts. Very few cases, if any are expected to be filed with the courts. The fiscal note anticipates that any expenditures related to violations of this bill can be met within existing resources.

The Department of Labor and Employment, Division of Workers' Compensation (DWC). Under current law, the administrative fine for failing to provide workers' compensation coverage is \$250 per day for a first offense and \$500 per day for second and subsequent offenses. The DWC director also has the discretion to refer coverage noncompliance matters to the Department of Personnel and Administration, Office of Administrative Courts (OAC). For construction sites only, the bill makes coverage noncompliance punishable by an administrative fine of \$500 per day for both first and subsequent offenses and does not authorize a noncompliance hearing before the OAC. Consequently, the DWC will be required to promulgate new rules related to workers' compensation coverage requirements on construction sites. However, rule promulgation will be minimal and can be absorbed within existing resources.

Departments Contacted

Labor and Employment
Regulatory Agencies

Personnel and Administration
Higher Education

Transportation