

Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

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ORIGINAL

Bill Number: HB406 **Patron:** Reid
Bill Title: Workers' compensation; disability of law-enforcement officer; spousal wage replacement; report.

Bill Summary: Requires the employer of a law-enforcement officer who sustains a line of duty injury, as defined in the bill, to pay or cause to be paid to the spouse of such law-enforcement officer 66 percent of such spouse's average weekly wage during the previous three years, up to 80 percent of the average weekly wage of the Commonwealth, provided that certain requirements are met. The bill directs the Workers' Compensation Commission to establish an application review process for claims for spousal wage replacement pursuant to the bill's provisions by January 1, 2027. Certain provisions of the bill have a delayed effective date of January 1, 2027.

Budget Amendment Necessary: Yes **Items Impacted:** Item 488 of Chapter 725
Explanation: The Virginia Workers' Compensation Commission (VWC) does not have an automated process for filing, accepting, and reviewing spousal claims.

Fiscal Summary: To develop and implement an application and claims review process within the timeframe specified in the bill, VWC requires \$75,000 one-time for an electronic data gathering solution and \$105,000 annually for a FTE.

General Fund Expenditure Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
Virginia Workers' Compensation Commission		\$180,000	\$105,000	\$105,000	\$105,000	\$105,000
TOTAL		\$180,000	\$105,000	\$105,000	\$105,000	\$105,000

Position Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
Virginia Workers' Compensation Commission		1.00	1.00	1.00	1.00	1.00
TOTAL		1.00	1.00	1.00	1.00	1.00

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Fiscal Analysis: The Virginia Workers' Compensation Commission (VWC) indicates that the bill directs the Commission to prepare and submit annual reports of, "applications made, the proportion of applications approved, average compensation amounts, and the fiscal impacts of the provisions of this section." Lines 64-67 also require VWC to develop and implement an application and claims review process by January 1, 2027.

VWC anticipates a fiscal impact from this language, as the agency does not have an automated process for filing, accepting, and reviewing spousal claims. Development of a technology-based electronic data gather solution costs \$75,000 (one-time) and if VWC opted for a manual development of a claims process, it would require an FTE to complete the required tasks at an annual cost of \$105,000. These costs are a general fund impact—according to VWC, there are no nongeneral fund revenue sources appropriate to fund these IT improvements.

The Department of Human Resource Management (DHRM) does not anticipate a fiscal impact from this legislation.

Other: The Virginia Retirement System provided the following input on this legislation:

HB 406 requires the employer of a law-enforcement officer who sustains a line of duty injury to pay to the spouse of the law-enforcement officer a percentage of such spouse's average weekly wage if (i) the spouse reduces their work hours or takes unpaid leave to provide uncompensated in-home spousal care and (ii) the officer's treating health care provider certifies that the officer requires assistance with two or more activities of daily living for more than seven consecutive days and recommends in-home spousal care.

As drafted, it is unclear whether the benefit paid to the spouse under the bill would result in an offset against any VRS disability benefits received by the officer. Both the Virginia Sickness and Disability Program (VSDP) and the Virginia Local Disability Program (VLDP) provide that disability benefit payments are subject to offset for other payments received due to the disability. The VSDP Code section, Va. Code § 51.1-1125, provides as follows:

A. In addition to offsets equal to the amount of any benefits paid to a participating employee under the Act, supplemental disability benefit payments shall be offset by an amount equal to any sums payable to a participating employee from the following sources:

1. During the first 12 months the employee receives disability benefits, an amount equal to the employee's wages and salary from any employment times the income replacement percentage payable;
2. After the first 12 months the employee receives disability benefits, an amount equal to 70 percent of the employee's wages and salary from any employment;
3. Disability payments from the Social Security Administration, local government disability benefits, federal civil service disability benefits, or other similar governmental disability program benefits received by the employee or his family as a result of the qualifying disability;

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4. Benefits received from any other group insurance contract provided to the participating employee by his employer for the purpose of providing income replacement; and

5. Benefits paid under any compulsory benefits law.

The relevant VLDP Code section, Va. Code § 51.1-1159, contains identical language. Subdivision A 3 provides that disability payments received by the employee “or his family” as a result of the disability under a “governmental disability program” must be offset against any disability benefits received by the employee under VSDP or VLDP.

It is unclear whether the Workers’ Compensation benefit for the officer’s spouse established in the bill would be considered a payment under a governmental disability program. The bill does not explicitly state whether the benefit provided to the officer’s spouse should or should not be offset against any disability benefits received by the officer under VSDP or VLDP.