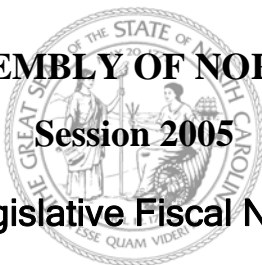


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2005

Legislative Fiscal Note

BILL NUMBER: House Bill 2060 (Second Edition)

SHORT TITLE: Victims' Compensation Changes.

SPONSOR(S): Representatives Kiser and Haire

| FISCAL IMPACT | | | | | |
|--|--------------------------|--------------------------|----------------------------------|--------------------------|--------------------------|
| | Yes (X) | No () | No Estimate Available () | | |
| | <u>FY 2006-07</u> | <u>FY 2007-08</u> | <u>FY 2008-09</u> | <u>FY 2009-10</u> | <u>FY 2010-11</u> |
| REVENUES | | | | | |
| EXPENDITURES | \$868,500 | \$868,500 | \$868,500 | \$868,500 | \$868,500 |
| POSITIONS (cumulative): | | | | | |
| PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Crime Control and Public Safety; Victims' Services | | | | | |
| EFFECTIVE DATE: Applies to all claims filed on or after July 1, 2006. | | | | | |

BILL SUMMARY:

July 11, 2006

H 2060. VICTIMS' COMPENSATION CHANGES. Filed 5/17/06. Senate committee substitute makes the following changes to 1st edition. Deletes portion of amendment to definition of "allowable expense" in GS 15B-2(1) that required, if the provider was one that accepted Medicare, Medicaid, or similar government funding, that it accept the compensation paid under that program as an allowable expense. Adds provision amending definition of "collateral source" in GS 15B-2(3) to include, as a collateral source, a contract of insurance that will pay for expenses directly related to a funeral, cremation, and burial, including transportation of a body. Deletes provision in GS 15B-11(d) specifying that the existence of a collateral source that will pay for these expenses does not constitute grounds for the denial or reduction of an award of compensation. Effect is to reduce or deny awards to the extent that the claimant is able to recoup the costs of a funeral. Amends GS 15B-4(a) to specify that compensation is to be paid only for economic loss and not for noneconomic detriment (prior version, "noneconomic detriment or loss"). Amends title as appropriate, and makes technical changes.

Source: Bill Digest H.B. 2060 (05/17/0200).

ASSUMPTIONS AND METHODOLOGY: The Crime Victims' Compensation Program is administered by the Victims' Compensation Services (VCS) Division within the Department of Crime Control and Public Safety. The program pays innocent persons up to \$30,000 to cover medical costs, lost income, and other costs incurred as a result of being a victim of a crime. If the victim dies as a result of the crime, an additional amount up to \$3,500 may be paid to survivors for funeral expenses. Victims' compensation payments are granted only after all other resources available to the victim (insurance, Medicaid, Worker's Compensation, court-ordered restitution) have been exhausted. Funding for victims' compensation comes from three sources: a recurring general fund appropriation of \$4.5 million, federal block grant funds, and receipts from the Department of Correction's Prison Enterprise Fund. In FY 2005-06, the amount budgeted from these three sources to pay victims' compensation claims is \$6,606,492. For the past five years, increases in both the number of claims and the amounts requested have resulted in a large backlog of approved but unpaid claims at the end of each year. The backlogged claims are then carried forward and paid from the next year's budget. As a result, the amount available to pay new claims in the following year is insufficient. For example, from the \$6.6 million budgeted for FY05-06, \$1.7 million was used to pay approved, outstanding claims from the prior fiscal year.

Section 1 increases the maximum compensation for funeral expenses from \$3,500 to \$5,000. The table below shows the number of claims and the amount of funeral compensation payments for the past five years. Note that according to VCS staff, the annual number of funeral claims reported in the table is less than the actual number of funeral compensation payments. When a claim is first submitted, the victim may be alive and VCS will classify the case as a medical claim. However, subsequent to establishing the case in the VCS system, the victim may die as a result of the injuries received during the crime. In such cases, VCS does not reclassify the original claim as a homicide nor will it enter the case into the system a second time as a funeral claim. However, VCS would provide funeral compensation to the victim's survivors. For example, the table shows that there were 519 funeral claims in FY 2004-05. However, in addition to that number, VCS paid funeral compensation for 45 DUI and 15 domestic violence victims who later died from their injuries, for a total of 579 payments. While these 60 cases are not included in the 519 figure, the payments are included in the \$2,203,117 total.

| FISCAL YEAR | # FUNERAL CLAIMS | \$ PAID FOR FUNERAL COMPENSATION |
|-------------|------------------|----------------------------------|
| 2000-01 | 298 | \$1,217,722 |
| 2001-02 | 336 | \$1,448,989 |
| 2002-03 | 328 | \$1,559,757 |
| 2003-04 | 388 | \$1,758,946 |
| 2004-05 | 519 | \$2,023,117 |

At a minimum, assuming no change in the annual number of funeral compensation payments, the proposal would increase victims' compensation funeral costs by \$868,500 (579 x \$1,500) in FY 2006-07 and future years. However, as the table indicates, there have been significant annual increases in the number of funeral payments. If this trend continues, the fiscal impact would be much higher. Because the victims' compensation program is not fully funded, the impact of the

proposed bill would be to increase the backlog of approved unpaid claims that must be carried forward to be paid from the following year's budget.

Section 2 amends the definition of "collateral source" to include contracts or insurance that pays for the cost of the funeral, burial or cremation.

Section 3 adds statutory language clarifying that compensation shall not be paid for "non-economic detriment" as is defined in G.S. 15B-2(11).

Section 4 adds language to give VCS the discretion to deny, reduce or reconsider an award where the victim fails to cooperate with the prosecution of a criminal case arising out of the criminally injurious conduct that is the subject of the award.

The fiscal impact of the Sections 3 and 4 is indeterminate; however, they would appear to have minimal impact on the number of future claims submitted or the amount of compensation to be paid.

Under the existing statute for funeral claims only, the existence of a collateral source cannot constitute grounds for reducing or denying an award for funeral compensation. Section 5 requires that collateral funding sources be considered when determining the amount of compensation to award for funeral claims. If the victim had life insurance, burial policies, or similar types of coverage for funeral expenses, the program can reduce or deny a compensation payment. There is no available data to determine the number of claims that would be affected by this change. Therefore, Fiscal Research is unable to estimate the impact of Sections 2 and 5. However, VCS staff report that such collateral sources existed in only a small percentage of claims for which funeral compensation payments were made in the past.

SOURCES OF DATA: Department of Crime Control and Public Safety, Victims' Compensation Services Section

TECHNICAL CONSIDERATIONS: None

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