

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4784-03
Bill No.: HB 2320
Subject: Employees - Employers; Labor and Industrial Relations Department; Law Enforcement Officers and Agencies
Type: Original
Date: April 7, 2008

Bill Summary: This proposal creates provisions relating to illegal aliens.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$304,834)	(\$384,116)	(\$395,639)
Total Estimated Net Effect on General Revenue Fund	(\$304,834)	(\$384,116)	(\$395,639)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Department of Labor and Industrial Relations	7 FTE	7 FTE	7 FTE
Secretary of State	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	8 FTE	8 FTE	8 FTE

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Labor and Industrial Relations** assume that enforcement of these provisions will require new investigative and support staff. Since no similar program exists in other states, the Department believes the volume of complaints with this legislation would be similar to the volume of complaints received under the new Minimum Wage Law that was passed with Proposition B in November 2006. During calendar year 2007, the Department received 492 minimum-wage complaints. Therefore, it is assumed that a similar number of complaints would be received under this legislation.

During calendar year 2007, the entire Wage and Hour program investigated 492 minimum wage complaints, 254 prevailing wage complaints and 413 child labor complaints for a total of 1,159 cases during the year. This caseload was handled by 10 wage and hour investigators, therefore the Department assumes that each investigator handles approximately 116 cases per year. The Department estimates that if 500 cases per year would be investigated at a rate of 116 cases per year, the Department would need at least 4.5 new FTEs to investigate these cases. Further the legislation would also require the services of support staff to handle incoming cases and phone calls and establish the files needed to process these cases. The Department assumes that one Senior Office Support Assistant would be needed to carry out this function.

This legislation would also require significant communication with the Secretary of State's Office regarding violations and the Department would also be required to maintain and communicate debarment lists in accordance with Section 3.9 of this legislation. This would require the services on one Senior Office Support Assistant. Lastly, this unit would be under the Department's current Wage and Hour Program and would require the services of a supervisor (Wage and Hour Investigator III) to assign and manage cases and evaluate the work of the investigators.

Oversight assumes that the Department of Labor and Industrial Relations can absorb the half an FTE of Wage and Hour Investigator II.

Officials at the **Department of Higher Education** assume they could perform the duties associated with this bill with existing staff and resources.

Officials at the **University of Missouri** assume the financial impact of this proposed legislation would be significant to the University. It would require additional staff at approximately \$106,000.

ASSUMPTION (continued)

Officials at the **University of Central Missouri** assume costs could exceed \$20,000 per year.

Officials at the **Missouri State University** assume they are unable to estimate the cost but will be some labor and training costs.

Officials at the **City of Columbia** assume a cost estimated at \$100,000 per year for staff and new software and tracking system.

Officials at the **Office of Administration, Fire Safety, Office of the State Courts Administrator, Department of Social Services, Missouri Veterans Commission, Capitol Police, Water Patrol, State Emergency Management Agency, Administrative Hearing Commission, Department of Agriculture, Metropolitan Community College, Department of Public Safety, City of Centralia, Linn State Technical College, St. Louis County, Missouri Gaming Commission, Lincoln University, State Tax Commission, Department of Elementary and Secondary Education, Department of Conservation, Department of Economic Development, Department of Mental Health, Office of the State Treasurer, Office of the State Auditor, Department of Revenue, Department of Health And Senior Services, Department of Natural Resources, Department of Insurance, Financial Institutions and Professional Registration, Office of Prosecution Services, Missouri Department of Transportation, Department of Corrections and the Missouri Highway Patrol** assume that there is no fiscal impact from this proposal.

Officials at the **Office of the Secretary of State (SOS)** assume they will need one FTE of a Technician II to monitor compliance in regards to the business licenses. There are 520,000 businesses licensed in the State and if just one percent need to have their license suspended and monitored under this proposal the SOS would need to send notices to 5,2000 cities and counties. This proposal requires SOS to monitor businesses for repeat offenses.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding

ASSUMPTION (continued)

for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Cost - Department of Labor</u>			
Personal Service	(\$186,214)	(\$230,160)	(\$237,065)
Fringe Benefits	(\$82,344)	(\$101,777)	(\$104,830)
Expense and Equipment	<u>(\$16,345)</u>	<u>(\$16,835)</u>	<u>(\$17,340)</u>
<u>Total Costs - Dept. of Labor</u>	<u>(\$284,903)</u>	<u>(\$348,772)</u>	<u>(\$359,235)</u>
FTE Change - Dept. of Labor	7 FTE	7 FTE	7 FTE
 <u>Cost - Secretary of State</u>			
Personal Service	(\$11,550)	(\$24,507)	(\$25,242)
Fringe Benefits	(\$5,107)	(\$10,837)	(\$11,162)
Expense and Equipment	<u>(\$3,274)</u>	<u>\$0</u>	<u>\$0</u>
<u>Total Costs - Secretary of State</u>	<u>(\$19,931)</u>	<u>(\$35,344)</u>	<u>(\$36,404)</u>
FTE Change - SOS	1 FTE	1 FTE	1 FTE
 ESTIMATED NET EFFECT ON GENERAL REVENUE	 <u>(\$304,834)</u>	 <u>(\$384,116)</u>	 <u>(\$395,639)</u>
 Estimated Net FTE Change on General Revenue	 8 FTE	 8 FTE	 8 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2009 (10 Mo.)	 FY 2010	 FY 2011
	 <u>\$0</u>	 <u>\$0</u>	 <u>\$0</u>

FISCAL IMPACT - Small Business

Any business failing to comply with these provisions could lose their business license.

FISCAL DESCRIPTION

This bill prohibits business entities and employers from employing, recruiting, or hiring illegal aliens to perform work in Missouri. Participation in a federal work authorization program which enables employers to electronically verify employment eligibility is required for all business entities and employers, including public employers and business entities receiving a state contract or grant or using state resources. Participation in a federal program is an affirmative defense to an allegation that the business entity hired illegal aliens, unless it is shown by clear and convincing evidence that the business entity had actual knowledge of the unauthorized status of the employee.

Employing an unauthorized alien more than once, failing to provide identity information on employees when requested to do so, or failing to correct violations within 10 business days will result in the suspension of a company's local business license and registration. Only the federal government can determine whether a worker is an unauthorized alien.

A violation of the prohibition against hiring illegal aliens or the requirement to provide information or correct violations by a business entity awarded a state contract or grant or using state resources will result in the termination of the contract and the suspension or debarment of the business entity from doing business in this state for a period of three years. A second or subsequent violation will result in the termination of the contract and the permanent suspension or debarment of the business entity from doing business in this state.

A contractor will not be held liable under the provisions requiring employee information or the correction of violations if the contractor provides documented proof of enrollment in a federal work authorization program or executes a sworn affidavit attesting that all employees are lawfully present in the United States.

Compensation of any kind provided to an unauthorized alien will not be allowed as a business expense deduction from any income or business taxes in this state.

The bill becomes effective January 1, 2009.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

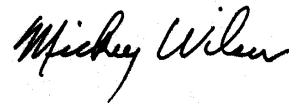
SOURCES OF INFORMATION

Office of the State Courts Administrator
Department of Social Services
City of Columbia
Missouri Veterans Commission
Department of Public Safety
 Capitol Police
 Water Patrol
 Fire Safety
 State Emergency Management Agency
Administrative Hearing Commission
Department of Agriculture
Metropolitan Community College
City of Centralia
Linn State Technical College
St. Louis County
Missouri Gaming Commission
Lincoln University
Department of Higher Education
Missouri Tax Commission
Department of Elementary and Secondary Education
Department of Conservation
Department of Economic Development
Department of Mental Health
University of Central Missouri
Office of the State Treasurer
Office of the State Auditor
Department of Revenue
Office of Administration
Office of the Secretary of State
Missouri Highway Patrol
Department of Labor and Industrial Relations
University of Missouri
Department of Health and Senior Services
Department of Natural Resources
Department of Insurance, Financial Institutions and Professional Registration
Office of Prosecution Services
Missouri Department of Transportation

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SOURCES OF INFORMATION (continued)

Missouri State University
Department of Corrections

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, slightly slanted style.

Mickey Wilson, CPA
Director
April 7, 2008