

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6424-01
Bill No.: HB 2203
Subject: Business and Commerce; Employees - Employers
Type: Original
Date: April 14, 2014

Bill Summary: This proposal would implement the Professional Employer Organization Recognition and Registration Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Total Estimated Net Effect on General Revenue Fund	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

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 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office 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, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve the right to request funding 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.

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of the Attorney General (AGO)** noted this proposal would provide that persons accused of violating the proposed law would have "an opportunity for a hearing," and that certain actions of the Director of the Department of Labor and Industrial Relations would be "subject to appeal."

DOLIR officials also noted the proposal is silent as to the procedures to be used for such hearings and appeals, and the AGO assumes for purposes of this response that it may be required to provide legal representation to DOLIR in such proceedings. As both the number and nature of these proceedings are unknown, costs to the AGO are also unknown but could be significant. AGO officials assume additional appropriations would be required for such costs.

Oversight will indicate additional cost from \$0 to Unknown for the AGO to implement this proposal.

ASSUMPTION (continued)

Officials from the **Department of Economic Development - Division of Business and Community Services** (BCS) assume this proposal would have an unknown impact on the General Revenue Fund. BCS officials assume one additional employee would be required to create guidelines and promulgate rules to implement this proposal.

The DED response included one additional employee, an Economic Development Specialist II, and the DED estimate of cost to implement this proposal including salary, benefits, equipment, and expense was \$54,400 for FY 2015, \$62,583 for FY 2016, and \$63,267 for FY 2017.

Oversight assumes any impact to the Department of Economic Development as a result of this proposal would be minimal and could be absorbed with existing resources. If unanticipated costs are incurred or if multiple proposal are implemented which increase the DED workload, resources could be requested through the budget process.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume this proposal would impose additional requirements on their organization to collect, store, and retrieve records required by the proposal related to the registration of Professional Employer Organizations (PEO).

DOLIR officials noted the number of PEO which would apply for registration is unknown, and it is not possible to estimate the related costs. DOLIR officials also noted the proposal would authorize the collection of registration fees.

In addition, DOLIR officials noted the proposal would assign the responsibility for conducting hearings and imposing penalties on those who knowingly violate this act, but noted DOLIR has no way of estimating the impact of this provision.

Finally, DOLIR officials assume the fees collected and costs to administer the activities would be attributable to General Revenue.

Oversight has no information as to the level or activity that would be generated by this proposal or the costs related to that activity. Accordingly, Oversight will indicate unknown additional revenue and costs for the Department of Labor and Industrial Relations to implement this proposal.

ASSUMPTION (continued)

Officials from the **Office of Administration**, the **Department of Conservation**, the **Department of Insurance, Financial Institutions, and Professional Registration**, the **Department of Mental Health**, the **Department of Revenue**, the **Department of Social Services**, and the **Department of Transportation** assume this proposal would have no fiscal impact on their organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Additional revenue - DOLIR</u>			
Registration fees Section 285.720	Unknown	Unknown	Unknown
<u>Additional cost - DOLIR</u>			
Registration process Section 285.715.2	(Unknown)	(Unknown)	(Unknown)
<u>Additional cost - AGO</u>			
Hearings and enforcement Section 285.750	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost - DOLIR</u>			
Hearings and enforcement Section 285.750	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to a small business which operates as a Professional Employer Organization.

FISCAL DESCRIPTION

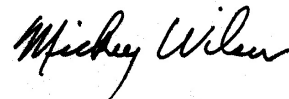
This proposal would implement the Professional Employer Organization Recognition and Registration Act.

The proposal includes provisions regarding the formation, operation, registration, and regulation of such organizations, and defines the relationships between and among the various entities involved in the organization and with state agencies.

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 Secretary of State
Office of the Attorney General
Joint Committee on Administrative Rules
Office of Administration
Department of Conservation
Department of Economic Development
Department of Insurance, Financial Institutions, and Professional Registration
Department of Labor and Industrial Relations
Department of Mental Health
Department of Revenue
Department of Social Services
Department of Transportation



Mickey Wilson, CPA
Director
April 14, 2014

Ross Strobe
Assistant Director
April 14, 2014