

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0626-01
Bill No.: HB 264
Subject: Employees - Employers; Federal - State Relations
Type: Original
Date: February 20, 2017

Bill Summary: This proposal requires all employers and business entities to enroll and actively participate in a federal work authorization program and imposes stricter penalties for employing an unauthorized alien.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(\$176,376)	(More than \$47,110)	(More than \$47,493)
Total Estimated Net Effect on General Revenue	(\$176,376)	(More than \$47,110)	(More than \$47,493)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue Fund	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Revenue (DOR)** assume this proposal would have a negative fiscal impact based on the following information:

Section 285.530

The legislation modifies this section to remove the provision, “Any entity contracting with the state or any political subdivision of the state shall only be required to provide the affidavits required in this subsection to the state and any political subdivision of the state with which it contracts, on an annual basis.” The legislation requires an employer or business entity to verify employment eligibility.

Section 285.535

If the court finds that a business entity violated Subsection 285.530.1, the court shall impose the following penalties:

First violation of Section 285.530: suspension of all licenses held by the business for at least one day and up to 30 days;

Second violation of Section 285.530: suspension of all licenses held by the business for at least 30 days but not more than one year;

Third violation of Section 285.530: permanent suspension of all licenses held by the business plus revocation of the business’ registration as a corporation, limited liability company, or limited partnership in Missouri, if applicable.

The legislation marks Subdivisions 6 through 8 for deletion from the section. Businesses participating in the federal work authorization program may deduct costs incurred by the business for participating in the program from the business’ income or business taxes.

Administrative Impact:

DOR requires form changes and programming to implement the provisions of this legislation.

Personal Tax:

The legislation allows entities a deduction from their business or income taxes. DOR assumes this deduction will be taken on a taxpayer’s individual income tax return. Personal Tax requires one (1) Revenue Processing Technician I (at \$27,185 annually) and requires form and programming changes to allow for the deduction.

ASSUMPTION (continued)

Integrated Tax System:

To implement this legislation, the Integrated Tax System requires updates to reflect the changes at a cost of \$130,291.

Oversight will show a fiscal impact to the General Revenue Fund for an additional FTE to reflect salary and fringe benefits in all three fiscal years. Also, Oversight will show a negative fiscal impact for equipment in the amount of \$7,146 in FY2018 and costs related to changes in the integrated system in the amount of \$130,291 (1002 hours at \$130 per hour) in FY2018. Additional costs for general expenses will be shown in the amount of \$949 in FY2018, \$1,168 in FY2019, and \$1,196 in FY2020.

Officials at the **Office of Administration - General Services** assume that neither any state agency nor any state employee would violate this proposal. Therefore, it is assumed that no successful claims will be made against the Legal Expense Fund and the proposal would thus have no fiscal impact upon the Office of Administration - General Services. However, should that assumption prove incorrect, costs could be incurred by the Legal Expense Fund.

Officials at the **Office of Administration - Budget and Planning (BAP)** state this proposal extends the requirement to participate in a federal work authorization program to all business entities, which currently only applies to public employers and select business entities. The proposal authorizes a business entity to deduct the costs incurred from participation in a federal work authorization program from the business entity's state income or business taxes; however, participation in the federal E-Verify is currently free.

The language would also restrict any compensation provided to an unauthorized worker from being an eligible business expense deduction from their income or business taxes.

These changes would affect total state revenue and impact the calculation under Article X, Section 18 (e); however, there is not enough available data for BAP to estimate the potential impact.

Officials at the **Office of Administration - Personnel**, the **Department of Conservation**, the **Department of Labor and Industrial Relations**, the **Office of State Courts Administrator**, the **Office of Secretary of State**, and the **Department of Transportation** each assume this proposal will not have a fiscal impact on their respective organizations.

Officials at the **Callaway County** assume this proposal would not have a fiscal impact on their organization.

ASSUMPTION (continued)

Officials at the school district of **Kansas City** assume this proposal would not have a fiscal impact on their organization.

Officials at the following counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cole, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Mississippi, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, Shelby, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE FUND			
<u>Loss - Total State Revenue</u>			
Business Income Taxes - deduction for costs incurred participating in federal work authorization program §285.535.13	\$0	(Unknown)	(Unknown)
<u>Costs - DOR</u>			
Additional Salary - 1 FTE	(\$22,654)	(\$27,457)	(\$27,731)
Additional Fringe Benefits	(\$15,336)	(\$18,485)	(\$18,566)
Equipment	(\$7,146)	\$0	\$0
Integrated System Changes (1002 hours at \$130 per hour)	(\$130,291)	\$0	\$0
Expenses	<u>(\$949)</u>	<u>(\$1,168)</u>	<u>(\$1,196)</u>
<u>Total Costs</u>	<u>(\$176,376)</u>	<u>(\$47,110)</u>	<u>(\$47,493)</u>
FTE Change - DOR	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$176,376)</u>	<u>(More than \$47,110)</u>	<u>(More than \$47,493)</u>
Net FTE Change - General Revenue Fund	1 FTE	1 FTE	1 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

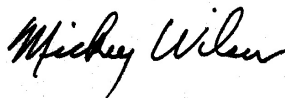
This bill changes the laws regarding the prohibition for any public or private employer or business entity to knowingly hire or continue to employ unauthorized aliens. Currently, public employers and certain private employers doing business with a public entity are required to participate in a federal work authorization program. This bill requires all public and private employers and business entities to enroll and actively participate in a federal work authorization program.

The bill specifies certain penalties for the first, second, and third violation of the provisions of this bill.

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

Department of Revenue
Office of Administration - General Services
Office of Administration - Budget and Planning
Office of Administration - Personnel
Department of Conservation
Department of Labor and Industrial Relations
Office of State Courts Administrator
Office of Secretary of State
Department of Transportation
Callaway County
School District of Kansas City



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February 20, 2017

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