

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2217-01
Bill No.: HB 1154
Subject: Employees - Employers; Insurances, Financial Institutions and Professional Registration, Department of
Type: Original
Date: April 25, 2017

Bill Summary: This proposal enacts new provisions of law relating to professional employer organization.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue Fund	(\$51,182) to Unknown	(\$60,947) to Unknown	(\$61,409) to Unknown
Total Estimated Net Effect on General Revenue	(\$51,182) to Unknown	(\$60,947) to Unknown	(\$61,409) to Unknown

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 **Office of Secretary of State (SOS)** assume this proposal would have a fiscal impact related to the hiring of one FTE, fringe benefits associated with the new FTE, IT expenses and travel costs.

A fiscal impact will be shown for salary costs related to the hiring of an Investigator I in FY18 for the amount of \$29,333, in FY19 for the amount of \$35,552, and in FY2020 for the amount of \$35,908. The costs related to fringe benefits for this position will be shown in FY18 for the amount of \$17,325, in FY19 for the amount of \$20,895, and in FY20 for the amount of \$21,001.

A fiscal impact will be shown for travel costs in FY18 for the amount of \$3,750, in FY19 and FY20 for the amount of \$4,500 for each fiscal year.

Software development that will allow the public to see listed PEOs will be necessary and related costs will be shown in FY18 for the amount of \$774.27 which comprises of 2 hours at a cost of \$34.32 per hour and 16 hours at a cost of \$44.10 per hour for IT costs.

Officials at the **Department of Social Services** defers to Office of Administration for the fiscal impact from this proposal.

Officials at the **Office of Administration - Personnel** and the **Office of Administration - Purchasing** each assume this proposal will not have a fiscal impact on their respective organizations.

Oversight will show a positive unknown fiscal impact to General Revenue Fund for revenue received by SOS from initial registration fees, renewal fees and group registrations.

Officials at the Department of Economic Development, the **Department of Revenue**, the **Department of Labor and Industrial Relations**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Conservation**, the **Joint Committee on Administrative Rules**, the **Department of Revenue**, and the **Department of Transportation** each assume this proposal will not have a fiscal impact on their respective organizations.

Officials at the **Attorney General's Office** 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>Revenue - SOS</u>			
PEO Registration and renewal fees	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>Costs - SOS</u>			
Personnel - 1 FTE	(\$29,333)	(\$35,552)	(\$35,908)
Fringe Benefits - 1 FTE	(\$17,325)	(\$20,895)	(\$21,001)
Travel Costs	(\$3,750)	(\$4,500)	(\$4,500)
IT - Software Development	(\$774)	\$0	\$0
Total Costs	<u>(\$51,182)</u>	<u>(\$60,947)</u>	<u>(\$61,409)</u>
FTE Change - SOS	1 FTE	1 FTE	1 FTE
NET ESTIMATED EFFECT ON THE GENERAL REVENUE FUND	<u>(\$51,182) to Unknown</u>	<u>(\$60,947) to Unknown</u>	<u>(\$61,409) to Unknown</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 act establishes regulations and registration requirements for professional employer organizations (PEOs). This bill requires all professional employer organizations to be registered with the Department of Insurance, Financial Institutions, and Professional Registration. PEO's may register individually or as a group. At the time of registration, and every year thereafter, the PEO or PEO group must file with the department an audit performed by an independent certified public accountant. A PEO may be eligible for limited registration if it meets certain requirements.

FISCAL DESCRIPTION (continued)

The Department of Insurance shall maintain a list of PEOs registered in this state. PEOs shall pay an initial registration fee not to exceed \$500 with an annual renewal fee not to exceed \$250. PEOs seeking limited registration shall pay an initial and annual registration fee not to exceed \$250. However, no fee shall exceed the amount reasonably necessary for the administration of the act.

Each PEO or PEO group shall maintain either positive working capital or provide a bond, irrevocable letter of credit, or securities with a minimum market value equaling the deficiency plus \$100,000 to the department. PEOs seeking limited registration are not required to meet these requirements.

The bill establishes the conditions under which a client and a PEO may enter into a professional employment agreement as well as the rights and responsibilities of each party.

Persons may be sanctioned by the department for providing professional employer services without registering with the department, or for providing false or fraudulent information to the department in conjunction with any registration, renewal, or report required by this act. Such sanctions may include revocation of license or the imposition of an administrative penalty of not more than \$1,000, among other potential penalties.

This bill provides that a client shall be entitled to the benefit of any tax credit, economic incentive, or other benefit arising as the result of the employment of covered employees of such client. The client's status or certification as a minority-owned or woman owned business enterprise shall not be affected because such client has entered into an agreement with a PEO or uses the services of a PEO.

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

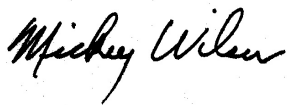
SOURCES OF INFORMATION

Office of Secretary of State
Department of Social Services
Office of Administration - Personnel
Office of Administration - Purchasing
Department of Revenue
Department of Labor and Industrial Relations
Department of Insurance, Financial Institutions and Professional Registration

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SOURCES OF INFORMATION (continued)

Department of Conservation
Joint Committee on Administrative Rules
Department of Revenue
Department of Transportation



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