

Fiscal Estimate - 2009 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 09-4494/2	Introduction Number AB-0929	
Description Willful misclassification of an employee as a nonemployee by a person engaged in the painting or drywall finishing of buildings or other structures with intent to evade the laws related to income tax withholding, worker's compensation, unemployment insurance, or employment discrimination and providing a penalty		
Fiscal Effect		
State:		
<input type="checkbox"/> No State Fiscal Effect		
<input type="checkbox"/> Indeterminate		
<input type="checkbox"/> Increase Existing Appropriations	<input checked="" type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Decrease Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Create New Appropriations		
Local:		
<input checked="" type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	5.Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
Fund Sources Affected		Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.445(1)(a)		
Agency/Prepared By	Authorized Signature	Date
DWD/ Robert Anderson (608) 266-3345	Andrew Feldman (608) 266-2284	4/13/2010

Fiscal Estimate Narratives

DWD 4/13/2010

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Assumptions Used in Arriving at Fiscal Estimate

In Act 28, laws of 2009 the Legislature created a \$25,000 fine for employers engaged to build construction projects who intentionally mis-classify employees as independent contractors. This bill extends that penalty to apply to instances where an employer working on a painting and/or dry walling project that is not part of a construction project intentionally mis-classifies a worker as an independent contractor.

Enforcement of this provision will be performed either by the Unemployment Compensation, Workers Compensation or the Equal Rights Divisions. Individuals conducting the initial investigation of potential violations and making the initial determination of potential violations will be either be Equal Rights Officer – Senior level positions or their equivalent level positions in the other divisions.

The department anticipates that it will become aware of potential violations either by random visits to construction sites or by third parties [not employees or the employer] filing complaints with the department. The department anticipates the specific changes proposed in this legislation will generate 15 instances a year where the department will initiate an investigation of an employer for having classified an employee as a non-employee. The department anticipates that investigations will consume an average of 20 hours of an Equal Rights Officer – Senior's time [or equivalent position]. To investigate 15 complaints the department will consume about .15 of an Equal Rights Officer – Senior [or equivalent position] time each year. An Equal Rights Officer – Senior with fringe benefits costs the department \$78,036 per year. The cost to investigate the 15 complaints will be about \$11,700 to the department.

The department anticipates that 1/2 of the investigations it conducts of potential violations of this bill will result in litigation of the violations and assessment of the \$25,000 fine. The department therefore estimates the state will collect an additional \$175,000 in revenue based upon fine collections which will go to the school fund.

The department does not perceive any local governmental costs associated with this legislation.

Long-Range Fiscal Implications

The department anticipates the first year expenses and revenue will continue for the foreseeable future.

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): None.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$8,830		\$
(FTE Position Changes)			
State Operations - Other Costs	2,870		
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$11,700		\$
B. State Costs by Source of Funds			
GPR	11,700		
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	State		Local
NET CHANGE IN COSTS	\$11,700		\$
NET CHANGE IN REVENUE	\$		\$
Agency/Prepared By		Authorized Signature	Date
DWD/ Robert Anderson (608) 266-3345		Andrew Feldman (608) 266-2284	4/13/2010