

### Fiscal Estimate - 2009 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>09-4432/2</b>	<b>Introduction Number</b> <b>SB-672</b>	
<b>Description</b> Compliance by employers with certain laws whose enforcement depends on the proper classification of persons as employees or nonemployees and providing penalties		
<b>Fiscal Effect</b>  <b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b> <input 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"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs                  4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.445(1)(n)		
<b>Agency/Prepared By</b> DWD/ Richard Tillema (608) 267-9807	<b>Authorized Signature</b> Andrew Feldman (608) 266-2284	<b>Date</b> 4/14/2010

## Fiscal Estimate Narratives

DWD 4/14/2010

LRB Number	09-4432/2	Introduction Number	SB-672	Estimate Type	Updated
<b>Description</b> Compliance by employers with certain laws whose enforcement depends on the proper classification of persons as employees or nonemployees and providing penalties					

### Assumptions Used in Arriving at Fiscal Estimate

Based on expert commentary provided to a Task Force on Worker Classification established by the Department of Workforce Development (DWD), DWD would implement the provisions of SB672 (and companion bill, AB939) by employing 4 investigators. These staff would be managed by the staff in the Unemployment Insurance Division or other DWD divisions.

Investigators would be assigned to visit worksites and offices of employers of construction workers that DWD has reason to believe may be misclassifying employees as independent contractors. DWD would issue stop work orders where the employers are found to be out of compliance. It is estimated that the investigation workload would also require a half-time (0.5) support position, one-third (0.33) of an enforcement attorney position to represent the department in hearings of employer appeals, one-third (0.33) of an administrative law judge position to hear and decide the appeals, and one-quarter (0.25) of a legal secretary position.

Total salary and fringe benefit costs for the 5.42 positions would be \$323,000 and total other costs (for example, rent, travel, supplies, computers, telephones, and agency overhead) would be \$126,100 for a combined total of \$449,100.

Investigation results will be shared by DWD's Workers Compensation Division (enforcing workers compensation coverage requirements), Equal Rights Division (enforcing wage and hour regulations) and Unemployment Insurance Division (enforcing unemployment insurance requirements and coverage). The investigations would result in referrals to and coordination with the Wisconsin Department of Revenue. The response to such reports and routine referrals to these agencies are beyond the scope of impact of this statute.

Administration of the program would be provided by the unemployment insurance administrative operating grant for some or all of the program operations. Additional funding will be sought if necessary, including possible special federal funding for enforcement of worker classification compliance currently proposed; potential funding in the form of a supplemental budget request to the United States Department of Labor (USDOL) for program integrity; and state funding sources.

Revenues from employer forfeitures are unknown. The amount of such revenue will depend upon the number of investigations, rate of compliance and employer response to stop work orders. Employers are expressly permitted by the legislation to continue working while under a stop work order and incur forfeitures of \$250 per day. An employer working during a stop work order and 21-day appeal period would incur up to \$5,250 in forfeitures and \$1,000 per day thereafter.

The volume of additional employers' unemployment contributions and benefit payments is dependent on such employers' business and employment practices and practical responses by employers and workers to enforcement.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> Compliance by employers with certain laws whose enforcement depends on the proper classification of persons as employees or nonemployees and providing penalties			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$323,000		\$
(FTE Position Changes)	(5.4 FTE)		
State Operations - Other Costs	126,100		
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$449,100</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED	449,100		
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State		Local
NET CHANGE IN COSTS	\$449,100		\$
NET CHANGE IN REVENUE	\$		\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DWD/ Richard Tillema (608) 267-9807		Andrew Feldman (608) 266-2284	4/14/2010