

### Fiscal Estimate - 2023 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>23-0242/1</b>	<b>Introduction Number</b> <b>AB-0474</b>
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**Description**  
 employee misclassification and providing a penalty

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input checked="" type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Decrease Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Create New Appropriations			<input type="checkbox"/> Decrease Costs

**Local:**

<input checked="" type="checkbox"/> No Local Government Costs	<input type="checkbox"/> Indeterminate	<b>5. Types of Local Government Units Affected</b>	
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	<input type="checkbox"/> Towns	<input type="checkbox"/> Village <input type="checkbox"/> Cities
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Counties	<input type="checkbox"/> Others
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	<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		

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input checked="" type="checkbox"/> SEGS s. 20.445 (1) (v)	

<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DWD/ Andrew Evenson (608) 266-1756	Jennifer Sereno (608) 267-9692	10/31/2023

## Fiscal Estimate Narratives

DWD 10/31/2023

LRB Number	23-0242/1	Introduction Number	AB-0474	Estimate Type	Original
<b>Description</b> employee misclassification and providing a penalty					

### Assumptions Used in Arriving at Fiscal Estimate

This bill removes limitations on the types of employers who are subject to worker misclassification penalties and provides that all employers can be assessed penalties by the department for knowingly and intentionally providing false information to the department for the purpose of misclassifying an employee as a nonemployee. In addition, this bill removes the \$7,500 and \$10,000 limitations on penalty amounts and provides that the penalties double for each act of misclassification occurring after the date of the first determination of a violation.

The bill also requires DWD to post on its website information regarding worker classification laws, requirements for employers and employees, penalties for noncompliance, and contact information at each state agency that administers worker classification laws. The bill requires DWD to design and make available to employers a notice regarding worker classification laws, requirements for employers and employees, and penalties for noncompliance; requires all employers to post the notice in a conspicuous place where notices to employees are customarily posted; and provides a penalty of not more than \$100 for an employer that does not post the notice as required.

This bill also proposes to increase penalties for employers who have previously violated current worker's compensation laws by providing false information about coverage to employees. Specifically, the bill proposes increasing the penalty from \$1,000 to \$3,000 for a third violation and \$4,000 for a fourth violation.

The overall fiscal impact of this bill is indeterminate due to indeterminate impacts to the Unemployment Insurance (UI) Trust Fund and Unemployment Insurance Program Integrity Fund, Fund 228.

However, this proposal could have a positive impact on the UI Trust Fund and the Program Integrity Fund. By providing increased penalties, the bill may allow DWD to expand its misclassification outreach and enforcement activities while potentially improving the UI Trust Fund balance. While some employers may face increased penalties under the bill, thus increasing revenues in the Program Integrity account, others could more accurately report employees to the department, resulting in increased Trust Fund revenues for covered employees. Ultimately, the extent of misclassification and how employers will respond to the proposed bill cannot be predicted, therefore, the impact to the UI Trust Fund and Program Integrity account is indeterminate.

The proposed increased penalties for worker's compensation violations would be deposited in the Uninsured Employers Fund (UEF), Fund 229, but these court-imposed penalties are rare. The department does not estimate increased revenue in UEF under this bill.

The department would incur new administrative costs under this bill related to developing a poster detailing worker classification laws, but these costs are minimal and can be absorbed within current budgets.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> employee misclassification and providing a penalty		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  The one-time administrative cost is \$608 for eight hours of work to prepare legal materials for a poster detailing worker classification laws.		
<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	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
FED		
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>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$	\$
<b>Agency/Prepared By</b>		
<b>Authorized Signature</b>		<b>Date</b>
DWD/ Andrew Evenson (608) 266-1756		10/31/2023
Jennifer Sereno (608) 267-9692		