



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #1026

Automated Work Permit System and Fee Increase (DWD -- Employment, Training and Vocational Rehabilitation Programs)

[LFB 2001-03 Budget Summary: Page 726, #4]

CURRENT LAW

Child labor laws, including those governing the issuance of work permits, are administered by the Bureau of Labor Standards in the Division of Equal Rights in the Department of Workforce Development (DWD). A work permit is required before anyone under the age of 18 is allowed to work in any job, with the exception of agriculture or domestic service work.

GOVERNOR

Provide expenditure authority of \$162,500 PR in 2001-02 and \$325,000 PR in 2002-03 to fund development and maintenance of an automated child work permit system and to maintain existing services in the Division of Equal Rights. The automated work permit system would be used to issue work permits and certificates of age on-line via the internet and to maintain a central file of edited and issued work permits and certificates. The program revenue would be from a \$2.50 increase in the child labor work permit or certificate of age fee, from \$5.00 to \$7.50. The additional revenue generated by the fee increase would be placed in a newly-created program revenue appropriation.

The \$7.50 fee would be established in the statutes, and the Department or a permit officer would be specifically authorized to collect work permit fees. Individuals who issued permits and certificates and were not on the Division's payroll could retain \$2.50 of each fee as compensation for services. The remaining \$5.00 would be forwarded to DWD, with \$2.50 placed in the general fund and \$2.50 placed in the work permit system program revenue appropriation. Division personnel would be required to forward the fee to DWD, and the Department would credit \$2.50

of each fee in the program revenue appropriation and deposit the remaining \$5.00 in the general fund.

DISCUSSION POINTS

1. A work permit (or, in some cases, certificate of age or street trades permit) is required before individuals under the age of 18 are allowed to work, except for agricultural or domestic service work. Work permits are issued at many locations throughout the state. The work permit establishes a minor's proof of age and insures that the employer, parent or guardian and minor are aware of the state's child labor laws and regulations. The Department seeks volunteers in local communities to operate work permit offices. Currently, there are about 650 permit offices and 1,200 permit officers issuing work permits. About 340 school districts operate work permit offices. The work permit fee is \$5.00, of which \$2.50 is retained by the local permit office for operating expenses. The remaining \$2.50 is sent to the Department and placed in the general fund. DWD is authorized to allow retention of fees by individuals who are designated to issue permits and certificates and are not on the payroll of the Division of Equal Rights. However, the amount of fees that can be retained is not specified in the statutes.

2. To obtain a work permit, the minor or parent must visit the permit officer and bring: (a) proof of age (birth certificate, baptismal record); (b) the minor's social security card; (c) hiring statement from employer explaining job duties, hours and time of work; (d) written parents' consent; (e) minor's school address or school district; and (f) permit fee of \$5.00. The \$5.00 fee should be reimbursed to the minor by the employer at the end of the first pay period. Copies of the work permit go to the employer and the minor, and the school district where the minor is enrolled.

3. The Department does not maintain a central file of work permits issued throughout the state. Records are kept at each permit office. Information is obtained through correspondence between the offices and Department.

4. Under current law, a county, city, village or town may enact an ordinance that authorizes the court to take a number of actions against minors who are habitually truant from school. One of the actions the court can take is to order DWD to revoke the truant minor's work permit. This provision was enacted by 1995 Wisconsin Act 77. DWD was ordered to revoke 13 work permits in 2000. In addition, six school districts requested that a permit be revoked for truancy.

5. The automated work permit system is needed for two reasons. First, the Division does not have a record of where permit holders are working. Frequently, the court will order the Division to revoke a permit without identifying (or knowing) where the minor is working. Second, if the Division revokes a permit, there is no effective way to prevent the minor from going to a different permit office and obtaining another work permit. The proposed automated system would create a central data base of permit holders that would allow the Division to identify permit holders and the status of their permits.

6. The bill would increase the permit fee by \$2.50 and the additional funding would be used by the Department to establish a centralized, automated system for issuing permits via the internet. The system would allow the permit officer to access a work permit form from a secure internet site. The officer could then prepare the form for the applicant. Information included on the permit would be used to establish and develop a database of work permit holders.

7. In addition to work permits, the increased fee would apply to street trade permits and certificates of age. Street trade permits are required for minors that engage in selling or offering for sale, soliciting or collecting, displaying or distributing, on streets, in public places or house-to-house: (a) newspapers or magazines; (b) articles, goods or merchandise; (c) circulars or posters; (d) commercial service; or (e) shoe shining. Certificates of age are used to verify an individual's age. However, with photo drivers licenses and photo state identification cards in widespread use, few certificates are issued. Street trade permits and certificates of age can be obtained from work permit offices.

8. Table 1 shows the cost of implementing the automated work permit system for each year of the 2001-03 biennium. The table shows that the Department would incur one-time costs of \$42,700 and ongoing costs of \$244,800. The table assumes that the system would not begin ongoing operations until January, 2002. The one-time costs would be for programming required to develop and implement the system. Ongoing costs of \$6,100 would be incurred for information technology staff maintenance and routine system enhancements. An additional \$96,700 annually would be used to finance equipment purchases and replacement, and applications development activities. Finally, \$142,000 per year would fund infrastructure and network charges for providing access to work permit offices throughout the state. A wide area network with security components would be developed and operated.

TABLE 1

Automated Work Permit System Costs

	<u>2001-02</u>	<u>2002-03</u>
One-time Costs		
Programming	\$42,700	\$0
Ongoing Costs		
Routine Maintenance	\$3,100 *	\$6,100
Hardware and Applications Development	48,400 *	96,700
External Connectivity	<u>71,000 *</u>	<u>142,000</u>
 Total Costs	 \$165,200	 \$244,800

*Assumes the system would be implemented beginning in January, 2002.

9. DWD indicates that it issues approximately 130,000 work permits in a year. As a

result, the \$2.50 increase in the work permit fee would generate an estimated \$325,000 in annual revenues. This is about \$80,000 more than would be necessary to fund annual ongoing costs. The Department indicates that the additional funding would be used to fund Division of Equal Rights operations. Division staff point out that base level GPR funding for supplies and services was reduced in the 1999-01 biennium and the Division would be provided this lower base level amount in the 2001-03 biennium. As a result, the supplies and services funding has not matched increases in costs for items purchased with that funding such as office supplies. In addition, the Division, like other departmental divisions, is charged for services, such as information technology system operation and maintenance costs, provided by the Department's Administrative Services Division (ASD). The ASD charges are typically paid with supplies and services funding. Because the Division's GPR supplies and services funds have remained the same, the Division has absorbed increases in ASD charges for services provided. The additional funds received from the work permit increase would provide a partial offset for static GPR funding. Finally, the bill would reduce DWD's general operations GPR funding by 5% in each year of the biennium (except for the Division of Vocational Rehabilitation and programs of the former Division of Economic Support). As a result, DWD's other divisions, including Equal Rights, would have to help absorb this general reduction in funding.

10. The law change that authorized the court to require DWD to revoke work permits was enacted in December, 1995. However, for six years since the law took effect, the Department has continued to administer the work permit system in the same fashion. As a result, an argument could be made that the Department views the current administrative system as adequate to meet its administrative responsibilities. Moreover, since the work permit fee is paid by employers, the higher fee would increase business costs. The automated work permit system would not necessarily provide direct benefits to businesses that would support a 50% fee increase. (The last work permit fee increase was in 1991, when it was increased from \$1.00 to the current \$5.00.) From this view, it could be argued that the Department has not made a strong case for establishing an automated work permit system and the fee increase and related system development provisions should be deleted.

11. The Division of Equal Rights has base level funding of \$5,572,600 GPR, \$678,900 FED and \$25,300 PR. The primary funding source for the Division's general operations is GPR. As is noted above, the ongoing funding that would be generated by the \$2.50 work permit fee increase would exceed the ongoing costs of the automated system. The Department would use these remaining funds for Division of Equal Rights general operations. Program revenues are statutorily defined as revenues that are credited to an appropriation to finance a specified program. Program revenues are not typically used for general operations where the main source of funding is GPR. An argument could be made that using the work permit fee for general operations would not be appropriate. As an alternative, the option to use the fee revenues could be eliminated. The fee increase could then be reduced to \$2.00 for total work permit fee of \$7.00, which, would generate \$130,000 in 2001-02 and \$260,000 in 2002-03. This would provide sufficient funding to cover the ongoing costs related to an automated work permit administration system. However, funding from a \$2.00 fee increase in the first year would not be sufficient to fund six months of operation of the new system. DWD may have to delay implementation a few more months to ensure revenues

would cover costs.

12. The program revenue appropriation that would be created would be a continuing appropriation. Dollar amounts shown in the schedule for such appropriations represent the most reliable estimates of the amounts that will be expended. However, expenditures made from such appropriations are generally only limited by the amount of revenues that are available from the appropriation. This would allow the Department more flexibility in developing, implementing and administering the automated work permit fee system. Establishing the appropriation as an annual appropriation would limit the Department's expenditures to amounts shown in the appropriations schedule. This would provide more legislative oversight to expenditures. If the appropriation balance built up over time, the work permit fee could be further reduced. Therefore, as an alternative, the Committee may wish to establish the work permit fee appropriation as an annual appropriation.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide expenditure authority of \$162,500 in 2001-02 and \$325,000 in 2002-03 to fund development and maintenance of an automated child work permit system and to maintain existing services in the Division of Equal Rights. Increase the child labor work permit fee by \$2.50 from \$5.00 to \$7.50. Create a continuing program revenue appropriation for revenue generated by the fee increase to fund development of an automated work permit fee system and general operations for the Division of Equal Rights.

2. Modify the Governor's recommendation as follows:

a. Delete authority to use fee revenues for general operations and reduce the work permit fee increase to \$2.00. (The work permit fee would be \$7.00.) Provide expenditure authority of \$130,000 PR in 2001-02 and \$260,000 PR in 2002-03 for the automated work permit system. These amounts are lower than the Governor's recommendation by \$32,500 in the first year and \$65,000 in the second year.

Alternative 2a	PR
2001-03 REVENUE (Change to Bill)	- \$97,500
2001-03 FUNDING (Change to Bill)	- \$97,500

b. Change the program revenue appropriation for fee revenues from a continuing appropriation to an annual appropriation.

3. Maintain current law.

Alternative 3	PR
2001-03 REVENUE (Change to Bill)	- \$487,500
2001-03 FUNDING (Change to Bill)	- \$487,500

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