


Colorado Legislative Council Staff
STATE
FISCAL IMPACT

Drafting Number: LLS 06B-2073

Date: July 6, 2006

Prime Sponsor(s): Rep. Solano

Bill Status: House Business Affairs and Labor

Fiscal Analyst: David Porter (303-866-4375)

TITLE: CONCERNING DOCUMENTATION BY AN EMPLOYER THAT DEMONSTRATES COMPLIANCE WITH FEDERAL EMPLOYMENT VERIFICATION REQUIREMENTS.

| Fiscal Impact Summary | FY 2006/07 | FY 2007/08 |
|--|---------------------------------------|------------|
| State Revenues | Potential Increase | |
| Cash Funds - Employment Support Cash Fund | | |
| State Expenditures* | | |
| Cash Funds - Employment Support Cash Fund** | \$ 113,670 | \$ 202,864 |
| Cash Funds Exempt - Transfer to Law | 3,223 | |
| FTE Position Change | 2.0 FTE | 4.0 FTE |
| Effective Date: This act shall take effect upon passage and shall apply to employees hired on or after January 1, 2007. | | |
| Appropriation Summary for FY 2006/07: | | |
| Department of Labor and Employment | \$ 113,670 Cash Funds and 2.0 FTE | |
| Department of Law | \$ 3,223 Cash Funds Exempt - Transfer | |
| Local Government Impact: None. | | |

* FY 2006-07 costs have been prorated to reflect the January 1, 2007, effective date.

** This amount includes a transfer to the Department of Law.

Summary of Legislation

This bill requires Colorado employers to attest to the following:

- the legal status of employees have been checked;
- copies of documents required by the I-9 employment eligibility verification form are being retained;
- no employee identification documents have been altered or falsified; and
- the employer has not knowingly hired an unauthorized alien.

The Division of Labor (DOL) within the Department of Labor and Employment is authorized to conduct random audits on employers to verify compliance. Additionally, documentation may be requested upon receipt of a credible complaint. Fines are established for failure to submit information or for submission of false information.

State Revenues

Fines for failure to submit documentation or for falsifying documentation are up to \$1,000 for the first offense and up to \$5,000 for subsequent offenses. Fine revenue is deposited into the Employment Support Cash Fund. Because fine amounts are discretionary, the impact to state revenue cannot be determined. However, a minimal amount of fine revenue (< \$5,000 per year) is assumed under the bill.

State Expenditures

This bill is expected to create state expenditures of \$113,670 and 2.0 FTE in FY 2006-07 and \$202,864 and 4.0 FTE in FY 2007-08 from the Employment Support Cash Fund. All costs occur within the DOL and are associated with the following:

- legal consultation to assist in the promulgation of new rules and to provide program legal support (50 hours in the first year only at \$64.45 per hour - transferred to the Department of Law);
- compliance officers to investigate an estimated 2,800 complaints annually; and
- auditors to perform random audits on 1% of employers annually.

Cost components under this bill are shown in Table 1:

| Table 1 - Total Costs | | |
|------------------------------------|-------------------|-------------------|
| Cost Components | FY 2006-07 | FY 2007-08 |
| Personal Services | \$98,432 | \$196,864 |
| <i>FTE</i> | <i>2.0</i> | <i>4.0</i> |
| Capital, Operating, and Travel | 12,015 | 6,000 |
| Legal Services (Department of Law) | 3,223 | 0 |
| General Fund Total | \$113,670 | \$202,864 |
| FTE | 2.0 | 4.0 |

With the bill's provisions effective January 1, 2007, the first year of costs are one-half of the total annual costs.

State Appropriations

This fiscal note implies an appropriation of \$113,670 and 2.0 FTE will be required from the Employment Support Cash Fund to the Department of Labor and Employment in FY 2006-07. Included in this amount is a cash funds exempt transfer to the Department of Law of \$3,227.

Departments Contacted

All Departments