



Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LS 08-0316

Date: February 7, 2008

Prime Sponsor(s): Sen. Veiga

Bill Status: Senate Business, Labor and Technology

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TITLE: CONCERNING REQUIRED ACTS OF EMPLOYEE LEASING COMPANIES BY THE DEPARTMENT OF LABOR AND EMPLOYMENT.

Fiscal Impact Summary	FY 2008-2009	FY 2009-2010
State Revenue*		
Cash Funds		
Employee Leasing Company Certification Fund	\$52,000	\$52,000
Fines Collection Cash Fund	\$0	<\$5,000
State Expenditures		
Cash Funds		
Employee Leasing Company Certification Fund	\$44,659	\$44,879
FTE Position Change	0.9 FTE	1.0 FTE
Effective Date: 90 days following final adjournment of the General Assembly unless a referendum petition is filed (August 6, 2008, if final adjournment is May 7, 2008).		
Appropriation Summary for FY 2008-2009: See State Appropriations section of fiscal note.		
Local Government Impact: None.		

* Fees are set to cover both the direct and indirect costs of a program's implementation. Pursuant to JBC policy, the fiscal note does not include all costs incurred under the bill. See **Expenditures Not Included** section of the fiscal note for these costs.

Summary of Legislation

This bill amends existing statutes governing employee leasing companies (ELCs) that have on-going relationships with work-site employers as follows:

- ▶ requires certification of ELCs with the Department of Labor and Employment within 60 days of the bill becoming law for a fee not to exceed \$500 per year;
- ▶ clarifies that ELCs are required to pay unemployment insurance taxes for all employees covered under an ELC contract;
- ▶ requires ELCs to prove they have sufficient funds to make tax payments;
- ▶ updates definitions to reflect current employee leasing terminology;
- ▶ clarifies that workers' compensation insurance employer protections cover both the ELC and the work-site employer regardless of who holds the policy; and
- ▶ authorizes the executive director to take disciplinary action against ELCs including probation, financial penalties, and revocation of certification.

State Revenue

State cash fund revenues will increase \$52,000 for FY 2008-09 and FY 2009-10 from fees to the newly created Employee Leasing Company Certification Fund. The actual certification fee will be set in rule by the executive director and paid by each ELC.

Fee Impact on Business. Section 2-2-322, C.R.S., requires legislative service agency review of measures which create or increase any fee collected by a state agency. The table below identifies the fee impact of this bill.

Table 1. Fee Impact of SB 08-114 on Business				
Type of Fee	Proposed Fee	Number Affected	Fee Impact FY 2008-09	Fee Impact FY 2009-10
Employee Leasing Company Certification	\$260	200	\$52,000	\$52,000
TOTAL			\$52,000	\$52,000

Penalties. SB08-114 provides for administrative penalties not to exceed \$1,000 per material violation. Fine revenue not otherwise appropriated is deposited into the Fines Collection Cash Fund. Since the certification process will be new, and the executive director has discretion in assessment of penalties, no fine revenue is expected for FY 2008-09. For FY 2009-10, a minimal amount of fine revenue (<\$5,000) is assumed under the bill.

State Expenditures

This bill has a cash funds expenditure impact of \$44,659 and 0.9 FTE for FY 2008-09 and \$44,879 and 1.0 FTE for FY 2009-10 for the Department of Labor and Employment from the Employee Leasing Company Certification Fund.

Table 2. Expenditures Under SB08-114		
Cost Components	FY 2008-09	FY 2009-10
Personal Services	\$39,553	\$43,149
FTE	0.9	1.0
Operating Expenses	1,651	1,730
Capital Outlay (one-time cost)	3,455	
TOTAL	\$44,659	\$44,879

The department is expected to certify 200 employee leasing companies annually and requires additional staff to administer that process. Staff will assist with rulemaking, process initial and renewal certification applications, and review financial records of ELCs.

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, funding for the items noted below will not be included in fiscal note expenditure estimates. However, indirect costs are calculated to reflect the total direct and indirect costs required to support a particular program. For SB08-114, these total \$6,564.

- group health, life and dental insurance (\$5,774)
- short-term disability (\$46)
- amortization equalization disbursements (\$567)
- supplemental amortization equalization disbursements (\$177)

State Appropriations

The Department of Labor and Employment requires a cash funds appropriation of \$44,659 and 0.9 FTE for FY 2008-09 from the Employee Leasing Company Certification Fund.

Departments Contacted

Labor and Employment

Judicial

Treasury