

**FINAL  
FISCAL NOTE**

**Drafting Number:** LS 08-0316  
**Prime Sponsor(s):** Sen. Veiga  
 Rep. Scanlan

**Date:** July 9, 2008  
**Bill Status:** Signed into Law  
**Fiscal Analyst:** Clare Pramuk (303-866-2677)

**TITLE:** CONCERNING REQUIRED ACTS OF EMPLOYEE LEASING COMPANIES BY THE DEPARTMENT OF LABOR AND EMPLOYMENT, AND MAKING AN APPROPRIATION IN CONNECTION THEREWITH.

<b>Fiscal Impact Summary</b>	<b>FY 2008-2009</b>	<b>FY 2009-2010</b>
<b>State Revenue*</b>		
Cash Funds		
Employee Leasing Company Certification Fund	\$52,000	\$52,000
Fines Collection Cash Fund	\$0	<\$5,000
<b>State Expenditures</b>		
Cash Funds		
Employee Leasing Company Certification Fund	\$44,659	\$44,879
<b>FTE Position Change</b>	0.9 FTE	1.0 FTE
<b>Effective Date:</b> The Governor signed the bill into law on May 20, 2008, and unless a referendum petition is filed, the bill will take effect August 5, 2008.		
<b>Appropriation Summary for FY 2008-2009:</b> See State Appropriations section of fiscal note.		
<b>Local Government Impact:</b> 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.

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

**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.

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

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