

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 12, 2011

TO: Honorable Byron Cook, Chair, House Committee on State Affairs

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB3129 by Price (Relating to requiring employers to participate in the federal electronic verification of work authorization program, or E-verify; creating an administrative penalty.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB3129, As Introduced: a negative impact of (\$2,066,842) through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	(\$1,409,208)
2013	(\$657,634)
2014	(\$657,799)
2015	(\$657,977)
2016	(\$658,192)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Revenue Gain/ (Loss) from General Revenue Fund 1	Change in Number of State Employees from FY 2011
2012	(\$2,609,208)	\$1,200,000	17.2
2013	(\$1,857,634)	\$1,200,000	17.2
2014	(\$1,857,799)	\$1,200,000	17.2
2015	(\$1,857,977)	\$1,200,000	17.2
2016	(\$1,858,192)	\$1,200,000	17.2

Fiscal Analysis

The bill would amend the Labor Code and define Commission, employee, employer, and E-verify program. The bill would require an employer to register and participate in the E-verify program to verify information of all new employees.

The bill would authorize the Texas Workforce Commission (TWC) to assess an administrative penalty of not less than \$5,000 for a first violation and \$10,000 for each subsequent violation against an employer who violates this chapter or a rule or order adopted under this chapter.

Methodology

The following assumptions were included in this analysis based on information provided by TWC for fiscal year (FY) 2012: TWC projected the number of businesses affected (460,763); number of employers that would be inspected (9,215); number of employers that would be in compliance (8,293); number of employers that would not be in compliance (922); number of employers that would not appeal a determination order (93); number of employers that would appeal the determination hearing (832); number of cases in a determination hearing that would be dismissed (125); and number of cases that would be found adverse to the employer (707). For the purposes of this analysis, similar projects were made for subsequent years.

Based on the analysis of TWC, it is assumed that additional staff would be needed to investigate employers, conduct hearing tribunals, and administer the appeals process. For the purposes of this analysis, additional staff that would be needed would include: 2.2 Account Examiners; 4 Attorneys; 6 Legal Assistants; 4 Hearing Officers; and 1 Administrative Assistant. Total costs for FY 2012 are estimated at \$2,609,208 for the following: Salaries/Benefits (\$1,316,191) + Other Operating Expenses (\$1,087,137) + Administrative and Support Costs (\$205,880).

For the purposes of this analysis TWC estimates that 20 percent of penalties assessed would be collected; which is based on the collection rate of other penalties that go to hearing. The revenue gain shown only considers penalties assessed for first time violators. Revenue from penalties collected for subsequent violations cannot be determined because data regarding the number of these offenses does not exist.

Technology

Modifications to the existing Unemployment Insurance system, mailing costs, and personal computers for employees would be required to implement the bill. TWC estimates this would cost approximately \$765,000 for the 2012-13 biennium and approximately \$41,000 during subsequent fiscal years.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 320 Texas Workforce Commission

LBB Staff: JOB, KJG, JI, KKR, MM