

March 1, 2013

The Honorable Julia Lynn, Chairperson  
Senate Committee on Commerce  
Statehouse, Room 445-S  
Topeka, Kansas 66612

Dear Senator Lynn:

**SUBJECT:** Fiscal Note for SB 48 by Senate Committee on Commerce

In accordance with KSA 75-3715a, the following fiscal note concerning SB 48 is respectfully submitted to your committee.

SB 48 would require all state and local government agencies to enroll and actively participate in the federal E-Verify Program for verifying the employment status of all employees, after January 1, 2014. In addition, no state or local agency could award a public works or purchase contract greater than \$50,000 to a vendor that does not verify the employment eligibility of its employees and employees of its respective subcontractors through the E-Verify Program. If a vendor would violate the E-Verify Program requirements, the Secretary of Labor could prohibit the vendor from doing business with state or local government for a period of up to two years, and could not bid on additional projects. The Department of Labor would be responsible for the maintenance and distribution of the list of offending bidders, contractors and employers as well as providing an administrative hearing process. The bill clarifies that certain businesses would not be required to participate in E-Verify if the federal government discontinues or fails to authorize the program.

The Department of Labor indicates the bill would increase costs for the agency by imposing new duties. The agency does not identify specific costs, but explains that an investigation process would have to be created with new staff members, the agency would have to contract with the Office of Administrative Hearings, the database of offenders would have to be created and staff needed to handle inquiries from other public agencies affected by the bill. These would be ongoing costs, except for the startup costs for the database equipment and computer programming. Accurate workload volumes cannot be determined based on the scope of the bill. At a minimum, projected staffing would include one investigator/auditor, one administrative support person, one attorney, and some number of IT staff and resources required to build and maintain the database.

According to the Department of Administration, the agency would be responsible for the state's compliance with the law for its own hiring processes. The E-Verify system is free, so the

agency states its only direct costs would be for staff time spent training on and then using the system. Current hiring processes would change to inform candidates of the new requirement. Incorporating the verification process in state contracts would require the Department to alter bid documents to include a self-certification form.

The Board of Regents system within Kansas state government oversees approximately half of the state's workforce and also hires numerous temporary staff, and explains that the bill would require a great deal of administrative time and expense to implement E-Verify. At Kansas State University alone, 6,000 employees are hired annually. Assuming each check takes five minutes, five hundred hours would be taken up with the time to complete each verification, which must be done within three days of hire. Paying an administrative support person for those hours would require at least \$8,900, assuming each check "confirms" the hires. If any further investigation or re-entering data in the system is needed to resolve non-confirms, additional hourly costs would be incurred. Estimated time needed to train everyone on using the system would require another \$1,500 for 170 staff to take the 30 minute tutorial. Expanding Kansas State's expenses to the other campuses leads the Board to conclude that systemwide, additional costs of \$52,700 for staff time for verification and training would be incurred as a result of SB 48.

The League of Kansas Municipalities states that enactment of SB 48 would result in negligible costs for cities; however, it would heighten cities' exposure to litigation and liability in areas that do not now exist. If a city verifies someone's status and acts on incorrect information from the system with regard to hiring or for contracting, legal action against the city could result. Although the bill increases litigation exposure and costs for time for verification, all increasing costs to cities, no fiscal effect estimate can be provided. The Kansas Association of Counties similarly reports that the bill would increase costs to the counties, but those cannot be anticipated. Any fiscal effect associated with SB 48 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,



Steven J. Anderson, CPA, MBA  
Director of the Budget

cc: Pam Fink, DofA  
Dawn Palmberg, KDOL  
Kelly Oliver, Board of Regents  
Larry Baer, LKM  
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