

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3595-02  
Bill No.: SB 858  
Subject: Federal- State Relations; Immigration; Public Assistance.  
Type: Original  
Date: March 4, 2008

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Bill Summary: This proposal modifies the law relating to illegal immigrants.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
General Revenue	(Unknown greater than \$938,669)	(Unknown greater than \$1,106,416)	(Unknown greater than \$1,137,576)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown greater than \$938,669)</b>	<b>(Unknown greater than \$1,106,416)</b>	<b>(Unknown greater than \$1,137,576)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
UC Administration Fund	\$0 or (\$34,000,000)	\$0 or (\$34,000,000)	\$0 or (\$34,000,000)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0 or (\$34,000,000)</b>	<b>\$0 or (\$34,000,000)</b>	<b>\$0 or (\$34,000,000)</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Department of Labor	21 FTE	21 FTE	21 FTE
Department of Economic Development	1 FTE	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>22 FTE</b>	<b>22 FTE</b>	<b>22 FTE</b>

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

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## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Labor and Industrial Relations** assume there are several issues regarding this proposed legislation.

First, the proposed legislation would have a significant impact on the Division of Employment Security (DES) in the form of extra responsibilities relating to the verification of legal status of applicants for benefits. Based on claims filed in the federal fiscal year that ended September 30, 2007, this proposal would increase the number of applicants to be verified to roughly 370,000. This would require the DES to hire additional employees. The DES estimates it would need an additional 21 claims technicians at an average annual salary of \$31,424. The DES does not have federal funds available to hire an additional 21 employees. These employees would need to be funded through General Revenue or another source.

Second, the payment of unemployment benefits could be delayed for each applicant until the DES receives and reviews each applicant's documents. Delay will prevent timely payment of benefits as required by the U.S. Department of Labor (USDOL). This will result in reduced funding for DES.

Third, the federal government and state governments are jointly responsible for administering the unemployment insurance (UI) system. State laws must meet certain federal requirements for the state agency to receive administrative grants needed to operate its UI program and employers to qualify for certain tax credits.

USDOL has informally reviewed SB 858 and has concerns which raise conformity issues. These issues may jeopardize the certification of the state's UI program. If the program fails to be certified, Missouri would lose \$34 million in federal funds the state receives to administer the UI program.

The Federal Unemployment Tax Act (FUTA) imposes a 6.2% payroll tax on employers. Most employers never actually pay the total 6.2% due to credits they receive for the payment of state unemployment taxes and for paying reduced rates under an approved experience rating plan. FUTA allows employers tax credits up to a maximum of 5.4% against the payroll tax if the state UI law is approved by the Secretary of Labor. The proposed legislation may cause Missouri's program to fail certification. As a result, Missouri employers could lose approximately \$977 million annually in FUTA credits.

ASSUMPTION (continued)

Last, the DES currently establishes that applicants qualify for benefits through agreements with the USDOL and the Social Security Administration by cross-referencing applicant names and Social Security Numbers. Applicants that do not match are denied benefits. When an applicant indicates they are an alien, their personal data is run through the Systematic Alien Verification for Entitlements (SAVE) Program, and it is determined if the applicant's wages were legally earned and if they are now legally admitted for work before benefits are released. The DES implements the verification processes required in Chapter 288.

**Oversight** assumes it is unclear whether the state would lose its unemployment insurance federal funds. Oversight has shown the potential loss as \$0 or \$34,000,000.

Officials at the **Department of Revenue (DOR)** assume that if an employer violates the provisions within this legislation, it could be subject to the penalties contained within. This would increase state revenues. Additionally, DOR would need to update their registration forms, procedures and computer system. They also may need one Tax Processing Technician I for every 3,315 applications received.

**Oversight** assumes that the Department of Revenue can absorb the costs associated with the proposal and if it should be too great then they can seek funding through the appropriations process.

Officials at the **Department of Economic Development (DED)** assume DED would be required to enforce and collect fines from credit or program benefit recipients administered by DED for violation of statute against hiring illegal aliens. DED would do compliance checks of recipients employees and initiate any necessary collection actions. DED assumes the need for one Compliance Auditor III to conduct 450 site visits to review and monitor credit/benefit recipients hiring practices. DED assumes there could be an unknown need for collection services to collect these civil fines. DED assumes the need for space and funding to operate the compliance program.

Officials at the **Office of the Attorney General (AGO)** assumes that if an agency brought a civil action to recover any tax credits under this proposal, that AGO would represent the agency. AGO assumes that the costs of this proposal may be absorbed with existing resources.

Officials at the **State Public Defenders (SPD)** assume this proposal requires all public employers to only contract with employers who participate in the status verification program. This could potentially mean that every individual attorney with whom we contract, every court

ASSUMPTION (continued)

reporter we utilize, every trainer we bring in for a training program, every expert used in a case, cannot be used unless they participate in this program. Because most of these individuals are doing us a favor by working with us for much lower pay than they can make in private sector contracts, they are unlikely to voluntarily agree to take on the extra work involved in verifying the status of each of their employees. As a result, SPD anticipates increased difficulty (more so than we're already experiencing, which is significant) in finding contract attorneys, experts, etc. willing to work with us.

Additionally, it is unclear whether the part of the statute that requires all public employers to verify immigration status before providing benefits would be deemed applicable to the public defender system or not since the federal and state constitutions require us to provide benefits to all accused of criminal offenses who can't afford a lawyer without regard to immigration status. However, if that is something that we ARE expected to do, there will be a significant impact in the time and resources required for us to verify the immigration status of all 88,000 of our cases prior to providing services, esp at a time when we already lack the resources to provide the services we are constitutionally required to provide these clients.

Officials at the **Department of Higher Education (DHE)** assume the bill provides that applicants for public benefits, which would include state grants and scholarships, would have to provide proof of their legal eligibility to receive the benefits at the time of application. The DHE assumes that it will incur some cost in addressing the proof of eligibility standards. It cannot, however, estimate the cost to any reasonable degree of certainty.

**Oversight** assumes that the Department of Revenue can absorb the costs associated with the proposal and if it should be too great then they can seek funding through the appropriations process.

Officials at the **Truman State University** state they are unable to determine the impact of this proposal.

Officials at the **University of Central Missouri (UCM)** assumes costs would be incurred in screening all applicants. This year UCM received 7,703 applications. The costs would be in increased staff time. It is estimated that two additional full-time employees would be needed in admissions to review all the verification documents. The cost of the additional employees is estimated at \$51,984 each year.

Officials at the **Lincoln University** assume modest fiscal impact in the form of increased costs of goods or services to the University to cover employment verification requirements.

ASSUMPTION (continued)

Officials at the **Missouri State University** assume a lost of \$16-32,000 per year if they do not have the ability to admit them as international students in compliance with all SEVIS rules.

Officials at the **University of Missouri (UM)** assume to require each applicant to UM to submit the proofs of citizenship would not be possible. International students do not get their verification for admission to the United States until after they have been accepted at a college or university. UM currently check all of our international students to make sure they have the proper documentation, but this is done when they arrive on campus.

Adding proof of citizenship to the application processing will cause a decrease in our yield of enrolled students because it will increase processing time and because the requirement will be viewed as intrusive. Further, we will no longer be able to accept electronic applications. Also, some individuals will not want to mail documents such as a birth certificate or passport. We estimate the cost to the University of Missouri for a significant decrease in enrollment and cost of processing to be over \$40,000,000.

UMC – new employees (3) – 2 @ 20,000 plus benefits = \$51,600  
1 @ 18,000 plus benefits = \$23,220

UMKC – new employees (3) – 2 @ 20,000 plus benefits = \$51,600  
1 @ 18,000 plus benefits = \$23,220

UMR – new employees (3) – 2 @ 20,000 plus benefits = \$51,600  
1 @ 18,000 plus benefits = \$23,220

UMSL – new employees (3) – 2 @ 20,000 plus benefits = \$51,600  
1 @ 18,000 plus benefits = \$23,220

Material usage \$6,730.

Decline in number of students enrolling \$40,000,000.

**Oversight** assumes that the costs associated to the Colleges and Universities does not effect state revenue. Additionally, Oversight assumes that the Colleges and Universities will raise tuition to cover any costs associated with this proposal.

Officials at the **City of West Plains** and the **City of Centralia** assume some fiscal impact in administering law if passed.

Officials at the **Department of Elementary and Secondary Education (DESE)** assume there is

ASSUMPTION (continued)

no state cost to the foundation formula associated with this proposal. Should the new crimes and amendments to current law result in additional fines or penalties, DESE cannot know how much additional money might be collected by local governments or the DOR to distribute to schools. To the extent fine revenues exceed 2004-2005 collections, any increase in this money distributed to schools increases the deduction in the foundation formula the following year. Therefore the affected districts will see an equal decrease in the amount of funding received through the formula the following year; unless the affected districts are hold-harmless, in which case the districts will not see a decrease in the amount of funding received through the formula (any increase in fine money distributed to the hold-harmless districts will simply be additional money). An increase in the deduction (all other factors remaining constant) reduces the cost to the state of funding the formula.

Officials at the **Department of Conservation, Office of Administration, Department of Mental Health, Missouri Department of Transportation, Missouri Senate, Metropolitan Community College, Linn State Technical College, City of Kansas City, St. Louis County, Office of the State Courts Administrator, Department of Agriculture, Missouri Veterans Commission, Department of Public Safety, Department of Social Services, Children's Division, Legal Services, Family Support Division, MoHealthNet, Human Resource Center, Youth Services, Office of the State Treasurer, Department of Insurance, Financial Institutions and Professional Registration, Department of Natural Resources, Department of Corrections** and the **Department of Health and Senior Services** assume that there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of

ASSUMPTION (continued)

regulations at substantial costs, the SOS could request funding through the appropriation process.

This legislation allows for penalties of \$25,000 for first offense and \$50,000 for second offense from business who employ unauthorized aliens. The proposal allows the fee to be collected by the agency administering the program. For the purposes of the fiscal note, **Oversight** assumes the fees will result in an increase of general revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<b>GENERAL REVENUE</b>			
<u>Cost - Department of Labor</u>			
Personal Services	(\$566,418)	(\$700,092)	(\$721,095)
Fringe Benefits	(\$250,470)	(\$309,581)	(\$318,868)
Expense and Equipment	<u>(\$53,489)</u>	<u>(\$12,334)</u>	<u>(\$12,705)</u>
<u>Total Costs - Department of Labor</u>	<u>(\$870,377)</u>	<u>(\$1,022,007)</u>	<u>(\$1,052,668)</u>
FTE Change - Dept. of Labor	21 FTE	21 FTE	21 FTE
<u>Cost - Dept. of Economic Development</u>			
Personal Services	(\$37,744)	(\$46,652)	(\$46,652)
Fringe Benefits	(\$17,083)	(\$21,115)	(\$21,115)
Expense and Equipment	<u>(\$13,465)</u>	<u>(\$16,642)</u>	<u>(\$17,141)</u>
<u>Total Costs - Dept. of Economic Dev.</u>	<u>(\$68,292)</u>	<u>(\$84,409)</u>	<u>(\$84,908)</u>
FTE Change- Dept. of Econ. Dev.	1 FTE	1 FTE	1 FTE
<u>Cost - Dept. of Economic Development</u>			
Collection Services	(Unknown)	(Unknown)	(Unknown)
<u>Income - General Revenue</u>			
Fines and penalties collected	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(Unknown greater than \$938,669)</u></b>	<b><u>(Unknown greater than \$1,106,416)</u></b>	<b><u>(Unknown greater than \$1,137,576)</u></b>
Estimated Net FTE Change on General Revenue	22 FTE	22 FTE	22 FTE



## UC ADMINISTRATION FUNDS

### Loss - DOLIR

unemployment insurance payments	<u>\$0 or</u> <u>(\$34,000,000)</u>	<u>\$0 or</u> <u>(\$34,000,000)</u>	<u>\$0 or</u> <u>(\$34,000,000)</u>
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### **ESTIMATED NET EFFECT ON UC ADMINISTRATION FUNDS**

<u>\$0 or</u> <u>(\$34,000,000)</u>	<u>\$0 or</u> <u>(\$34,000,000)</u>	<u>\$0 or</u> <u>(\$34,000,000)</u>
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### FISCAL IMPACT - Local Government

FY 2009  
(10 Mo.)

FY 2010

FY 2011

## LOCAL GOVERNMENT FUNDS

### Cost - Local Government

Administration of program	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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### **ESTIMATED NET EFFECT ON LOCAL GOVERNMENT FUNDS**

<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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### FISCAL IMPACT - Small Business

Business owners could possibly lose payroll tax credits estimated at \$997 million annually.

## FISCAL DESCRIPTION

This act modifies the law relating to illegal immigrants.

Under current law, employers who negligently hire unauthorized aliens are ineligible to receive state-administered or subsidized tax credits, tax abatements or loans from the state. Those in violation who knowingly accept such credits, abatements or loans shall, upon conviction, be guilty of a Class A misdemeanor.

This act holds employers accountable for their contractors and subcontractors who hire unauthorized aliens.

Under this act, employers who know or should know that they employ unauthorized aliens on

FISCAL DESCRIPTION (continued)

projects involving state-administered or subsidized tax credits, tax abatements or loans from the state shall be fined up to \$25,000 per unauthorized alien for a first offense and up to \$50,000 per unauthorized alien for a subsequent offense. Those who intentionally engage in such activity shall be banned from further projects administered by the agency administering the program.

This act exempts employers from such adverse treatment when the employer's contractors and subcontractors hire unauthorized aliens when the employer requires its general and subcontractors, by contract, to actively participate in a Status Verification System administered by the federal government designed to verify the work authorization of any individual.

Employers shall withhold state income tax at the rate of 6% of the wages paid to the employee subject to withholding or the amount of compensation paid to an individual required to be reported on federal Form 1099 if the individual fails to provide a valid Social Security number. Employers shall be liable for amounts they fail to withhold.

The act creates a private cause of action for those discharged by employers who employ unauthorized aliens at the time of their discharge. Employers enrolled in a status verification system are exempt from liability.

Illegal aliens are barred from attending all public universities in the state.

Under federal law, unlawfully present aliens are not eligible for state or local public benefits with certain exceptions. This act reiterates federal law stating that such aliens are ineligible and the exceptions.

Applicants for benefits shall provide proof of citizenship, residency, or lawful presence in order to receive benefits. If applicants cannot provide such proof they can sign an affidavit attesting to their status and shall be eligible to receive temporary benefits until their status can be determined.

If an applicant is an alien, the applicant shall not receive benefits until lawful presence is verified by the federal government.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

## SOURCES OF INFORMATION

Department of Conservation  
Truman State University  
Metropolitan Community College  
Office of the Secretary of State  
University of Central Missouri  
Office of Administration  
City of West Plains  
Linn State Technical College  
City of Kansas City  
City of Centralia  
Department of Mental Health  
Department of Revenue  
Missouri State University  
Department of Labor and Industrial Relations  
Missouri Department of Transportation  
Missouri Senate  
St. Louis County  
Office of the State Courts Administrator  
Lincoln University  
University of Missouri  
Department of Agriculture  
Missouri Veterans Commission  
Department of Public Safety  
Department of Social Services  
    Children's Division  
    Legal Services  
    Family Support Division  
    MoHealthNet  
    Human Resource Center  
    Youth Services  
State Public Defender  
Office of the Attorney General  
Office of the State Treasurer  
Department of Higher Education  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Health and Senior Services  
Department of Elementary and Secondary Education  
Department of Natural Resources

SOURCES OF INFORMATION (continued)

Department of Revenue  
Department of Economic Development  
Department of Corrections

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
March 4, 2008