

2009 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2815

STATUS: B Engrossed

SUBJECT: Establishes an interagency compliance network and increases business filing fees

GOVERNMENT UNIT AFFECTED: Department of Justice, Department of Revenue, Employment Department, Department of Consumer and Business Services, Bureau of Labor and Industries, Construction Contractors Board

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DATE: April 29, 2009

	<u>2009-2011</u>	<u>2011-2013</u>
EXPENDITURES – Other Funds:		
<u>Department of Justice</u>		
Personal Services – Sr. Assistant Attorney General (SR 36S)	\$ 120,413	\$ 240,825
Personal Services – Criminal Investigator (SR 30)	\$ 82,243	\$ 164,486
Personal Services – Legal Secretary (Part-time, SR 17)	\$ 15,660	\$ 31,321
Services and Supplies	\$ 110,200	\$ 161,151
Agency Total	\$ 328,516	\$ 597,783
<u>Department of Revenue</u>		
Personal Services - Administrative Specialist 1 (SR 17)	\$ 48,263	\$ 96,526
Services and Supplies	\$ 25,043	\$ 45,086
Agency Total	\$ 73,306	\$ 141,612
<u>Employment Department</u>		
Personal Services - Compliance Specialist 2 (SR 25)	\$ 63,385	\$ 126,769
Services and Supplies	\$ 9,519	\$ 14,037
Agency Total	\$ 72,904	\$ 140,806
<u>Department of Consumer and Business Services</u>		
Personal Services – Compliance Specialist 2 (SR 25)	\$ 63,385	\$ 126,769
Services and Supplies	\$ 9,519	\$ 14,037
Agency Total	\$ 72,904	\$ 140,806
<u>Bureau of Labor and Industries</u>		
Personal Services – Two Compliance Specialist 2 (SR 25)	\$ 126,769	\$ 253,358
Services and Supplies	\$ 17,187	\$ 24,374
Agency Total	\$ 143,956	\$ 277,912
<u>Construction Contractors Board</u>		
Personal Services - Compliance Specialist 2 (SR 25)	\$ 63,385	\$ 126,769
Services and Supplies	\$ 9,519	\$ 14,037
Agency Total	\$ 72,904	\$ 140,806
<u>Secretary of State</u>		
Services and Supplies (One-time)	\$ 13,020	\$ 0
Other Partners/Litigation	\$ 150,000	\$ 300,000
Total Other Funds Fiscal Impact – All Agencies	\$ 927,510	\$ 1,739,725

2009-2011

2011-2013

REVENUES:

See Legislative Revenue Impact Statement

POSITIONS / FTE:

Total for All Agencies

9/4.17

9/8.33

EFFECTIVE DATE: January 1, 2010

GOVERNOR'S BUDGET: This bill is not anticipated by the Governor's recommended budget.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

ANALYSIS: The measure establishes an Interagency Compliance Network made up of the following seven agencies: Department of Justice, Department of Revenue, Employment Department, Department of Consumer and Business Services, Bureau of Labor and Industries, Construction Contractors Board; and the State Landscape Contractors Board. These agencies, which are responsible for compliance activities under taxation, employment, and independent contractor laws, would work together to improve compliance rates, recover monies and ensure coordinated and consistent treatment of persons or businesses under these laws. Similar programs in other states have resulted in better compliance, more fraud detection, and ultimately in the recovery of owed monies.

Some coordination of activities and information sharing is already occurring between these agencies, however, the agencies do not have dedicated resources to take on the focused investigative, audit, education, and enforcement efforts directed in the bill. The bill also requires biennial reporting on expenditures and outcomes to the Governor and Legislature. Network agencies have collectively identified a fiscal impact estimate for 2009-11 based on funding a total of nine positions, which would be spread across the agencies. Agencies currently having little capacity for compliance activities receive a higher proportion of resources under this fiscal impact estimate.

While the bill goes into effect on January 1, 2010, positions are not projected to come on board until July 1, 2010. This timeframe allows dedicated fee revenues to accrue prior to expenditures being incurred. Agencies would work during the first year of the biennium to refine a work plan, finalize position duties, develop reporting metrics, and prepare for the launch of integrated and targeted compliance efforts. These activities would likely be handled by network agency staff already engaged in the current, more limited, coordination efforts.

The bill also provides for a portion of funding (reserve) to be set aside for specific uses to be determined by the Network, which is required to operate under an intergovernmental agreement. Potential uses include covering extraordinary litigation costs and paying for assistance from non-network agencies; their help may be needed for a special investigation or for expertise on a specific business sector. The bill also provides for additional agencies to formally join the group as programs having an interest in or nexus with these taxation and employment laws are indentified.

The bill proposes that the program be supported with revenue from an increase in the statutory fee paid to the Secretary of State (SOS) for filing business registry documents. The fee is currently \$50; SOS estimates that each additional dollar added to the fee will generate about \$300,000 per biennium. The agency has also identified one-time 2009-11 costs associated with modifying applications and databases to accommodate the new fee structure.

To support the program and sustain it for some period of time into the future, it is estimated that a fee increase of \$7 will be needed, which is the amount indicated in the bill. That estimate is based on the cash flow and expenditure table below, which assumes a fee of \$7, no change in the number of filings over time, and an inflation factor of 12% biennially after the 2011-13 biennium.

Network Funding Sustainability

	2009-11	2011-13	2013-15	2015-17	2017-19	2019-21
Beginning Balance	0	649,128	1,013,841	1,205,787	1,204,234	985,962
Revenue	1,576,638	2,104,438	2,104,438	2,104,438	2,104,438	2,104,438
Agency Expenditures	777,510	1,439,725	1,612,492	1,805,991	2,022,710	2,265,435
Reserve Expenditures	150,000	300,000	300,000	300,000	300,000	300,000
Total Expenditures	927,510	1,739,725	1,912,492	2,105,991	2,322,710	2,565,435
Ending Balance	649,128	1,013,841	1,205,787	1,204,234	985,962	524,965

The bill provides for monthly distribution of fee revenue to each agency using set percentages, with the remaining amount/percentage distributed to the Department of Revenue for the reserve. No distribution is identified for State Landscape Contractors Board; this semi-independent agency has indicated it does not need state resources to participate. While revenues would automatically accrue to network agencies under the law, each agency would need to have expenditure limitation and position authority approved in order to spend the funds as anticipated.

The revenue distribution percentages in the bill are outlined below; these are projected to cover the estimated expenditures for each agency.

Projected Revenue Distribution by Percentage

Department of Justice	35%
Department of Revenue	8%
Employment Department	8%
Department of Consumer and Business Services	8%
Bureau of Labor and Industries	16%
Construction Contractors Board	8%
Other Partners/Litigation	17%
Total	100%