

FISCAL NOTE
Requested by Legislative Council
01/16/2017

Bill/Resolution No.: HB 1400

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$112,500	\$0	\$75,000
Expenditures			\$140,500	\$112,500	\$95,500	\$75,000
Appropriations					\$95,500	\$75,000

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Creates Chapter 54-44.4 and requires certain employers to obtain an equal pay certificate from the Department prior to entering into a contract with the state. The Department would develop the administrative process, provide technical assistance, review applications, and issue certificates.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

1. The bill requires a business (qualified under 54-4.4-01) to submit an application for an equal pay certificate with the Department of Labor and Human Rights. While the bill is silent as to who is responsible and authorized to develop the administrative process to support this new section, for the purposes of this note, we assume that the Department would be required to develop the administrative process, including administration guidelines, procedures, forms, updating of the website and in-house software through ITD to input, track, and issue applications and certificates, as well as the provision of technical assistance to contractors as necessary. This work would be upfront and ongoing.

2. The bill requires the Department to issue a certificate of equal pay after the contractor has certified to the requirements specified in the bill. This note assumes staff time would be required to investigate certain applications based upon the information provided by employers to ensure compliance with this chapter, and that staff time required would be significant, based on the disparity in definitions of "equal pay" under the bill and state and federal law.

3. The bill notes that the "certificate is valid for four years" but is silent as to whether the Department would be expected to proactively notify the contractor of impending expiration. For the purposes of this note we assume we would model this process after our existing process for the issuance of sub-minimum wage certificates, wherein we notify employers of impending expiration and send information and forms in advance of expiration for the purposes of renewal, expending staff time to manage this process.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The Department has assumed 500 employers will apply for an equal pay certificate in the first fiscal year in the upcoming biennium, and assume a 50% reduction in later years, as the certificate is good for 4 years. The bill is silent as to where these funds are deposited (general or special fund). For the purposes of this note we have assumed the revenue will be placed in a special fund for the Department's activities.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The Department has estimated the following expenditures associated with HB1400 in the 2017-19 biennium:

1. ITD (generate forms, update and deploy in-house software programs) - \$75,000
 2. Operating expenses (office supplies, etc.) - \$10,000
 3. 1 FTE to implement HB1400 – \$163,000
- Total - \$253,000

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

It is estimated the Department would need an appropriations increase of \$253,000 for the 2017-19 biennium. The Department's budget is found in HB1007/1067.

Notably, expenses relating to this new process should be expected to be "front-loaded" due to the necessary investment to develop and administer the process, while revenue would be received as applications are approved.

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