

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4332-01
Bill No.: HB 1801
Subject: Employees - Employers; Credit and Bankruptcy
Type: Original
Date: January 4, 2016

Bill Summary: This proposal prohibits an employer from requiring an employee or prospective employee to consent to a request for a credit report unless the employer is a financial institution or the report is required by law.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume this proposal would prohibit employers from using personal credit history as employment criteria unless the employer is a financial institution or the report is required by law. DOLIR shall receive and investigate complaints related to subsection 2 of Section 290.146, and within 30 days of the filing conduct an investigation and render its findings. If the findings warrant, the department shall hold a hearing.

A number of U.S. employers currently use personal credit histories as hiring criteria. Several states have moved to limit this practice. Based on the limited statistics found from those states which have limited the practice, few complaints have been filed.

Currently, there is no way to estimate the number of complaints DOLIR might receive. However, based on the limited information available from other states, the department believes it would require up to one Investigator II to conduct investigations in response to complaints.

Current investigations in other disciplines generally require 90 to 120 days in order to do proper diligence. This legislation sets forth a 30-day time frame to complete an investigation and render a finding. Even a limited number of complaints could result in a fiscal impact.

Since the investigation will result in a finding for the complaint, it is not clear to the department the purpose of a hearing and who would conduct those hearings. The costs involved with hearings would be cumulative based on the number of hearings which need to be held.

DOLIR assumes that it could absorb the costs associated with these complaints, if the number of complaints were very small. However, based on the short time frame to investigate and report a finding, even a limited number of complaints would require additional staff.

The DOLIR assumes that one Investigator II could process complaints, conduct investigations, and render findings unless the number of complaints became significant. However, if the number of cases were significant, the impact could be substantial enough that resources in addition to the one Investigator II could be required.

In summary, DOLIR ranged the fiscal impact from \$0 (can be absorbed) to \$62,000 for 1 additional FTE Investigator II.

ASSUMPTION (continued)

Officials from the **Office of Administration** assume any potential cost arising from this proposal can be absorbed with existing resources.

Officials from the **Office of Secretary of State, Department of Insurance, Financial Institutions and Professional Registration, Department of Corrections, Department of Transportation** and **Joint Committee on Administrative Rules** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **City of Kansas City** and **St. Louis County** assume the current proposal would not fiscally impact their local political subdivision.

Oversight assumes DOLIR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOLIR could absorb the costs related to this proposal. If, the number of investigations and hearings require it, DOLIR would request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal prohibits an employer from requiring an employee or prospective employee to consent to a request for a credit report unless the employer is a financial institution or the report is required by law.

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 Insurance, Financial Institutions and Professional Registration
Office of Secretary of State
Joint Committee on Administrative Rules
Office of Administration
Department of Labor and Industrial Relations
Department of Corrections
Department of Transportation
City of Kansas City
St. Louis County



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