

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1432

March 25, 2009

SUMMARY OF BILL: Creates a new regulatory program for “staffing companies” that provide temporary employees. Requires the Commissioner of Commerce and Insurance to promulgate rules for the establishment of application fees, renewal fees, and penalty fees for licensees. Violations are subject to civil penalties of up to \$10,000, revocation of license, and other relief as appropriate.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - \$45,000/FY09-10
\$30,000/FY10-11
\$20,400/FY11-12
\$150,000/FY12-13 and Every Three
Years Thereafter
Increase State Expenditures - \$3,000/One-Time
\$56,600/Recurring

Assumptions:

- Currently, the Department of Commerce and Insurance regulates employee leasing companies. These companies provide temporary employees to businesses for a fee. The temporary employee remains on the leasing company’s payroll but is considered an employee of the client for liability insurance and bond purposes; however, employees of a “staffing company” remain employees of the staffing company for all purposes.
- Currently there are 107 employee leasing companies licensed in the state. It is estimated that an additional 300 staffing companies would be licensed over the next three-year period. [FY 09-10 = 30% (90); FY10-11 = 30% (90); FY11-12 = 40% (120)]. Licenses would be valid for three years (through June 30, 2012).
- Initial and renewal license fees would be \$500. License fees for the initial three-year registration of the 300 companies would be pro-rated FY09-10 = \$500; FY10-11 = \$333; FY11-12 = \$167.

- The increase to state revenue is estimated to be \$95,010 for the first three-year cycle [FY09-10 = \$45,000 (\$500 fee x 90 applicants) + FY10-11 = \$29,970 (\$333 pro-rated fee x 90 applicants) + FY11-12 \$20,400 (\$167 pro-rated fee x 120 applicants)].
- The increase to state revenue beginning FY12-13 and every subsequent three-year renewal period is estimated at \$150,000 (\$500 fee x 00 licensees).
- An additional 60 applicants per year will apply for an initial license for an estimated annual increase in state revenue of \$30,000 (\$500 application fee x 60 applicants).
- The current Employee Leasing Program does not have a full-time employee dedicated to the program. Once the additional staffing companies are added to the current caseload, the Department of Commerce and Insurance would require an additional position (Administrative Assistant Reg. Board 1) to receive and process applications, confirm qualifications, insure timely license issuance and renewal, and to process complaints for both the current Employee Leasing Program and the addition of the Staffing Company Licensing Program.
- One-time state expenditures are estimated at \$3,000 (\$1,000 computer + \$2,000 office landscaping).
- The recurring state expenditures for this position will be \$56,636 (\$30,400 salary + \$10,336 benefits + \$11,200 departmental administrative cost + \$3,000 communication and computer + \$1,700 office space lease).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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