

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2554 – SB 2496

March 21, 2016

SUMMARY OF ORIGINAL BILL: Increases, from one to five years, the period an employer discovered to be utilizing the services of illegal immigrants is prohibited from contracting with a state governmental entity. Increases the penalties for violations of the Tennessee Lawful Employment Act as follows: (1) first violation from \$500 to \$1,000; (2) second violation from \$1,000 to \$5,000; (3) third or subsequent violations from \$2,500 to \$10,000. Requires suspension of any state-issued license as defined in Tenn. Code Ann. § 50-1-103(a)(8), which is currently required under Tenn. Code Ann. § 50-1-103(e)(1)(A), to be for a period of one year for a first violation and five years for a second or subsequent violation of the state contract requirements regarding the use of illegal immigrants.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue –
Exceeds \$12,000/Lawful Employment Enforcement Fund

IMPACT TO COMMERCE OF ORIGINAL BILL:

Increase Business Expenditures – Exceeds \$12,000

SUMMARY OF AMENDMENT (014694): Deletes and rewrites the bill such that the only substantive changes are to: (1) increase to two years, the prohibition period following a violation; (2) applies fine increases only “per employer” and does not increase “per employee” fines; and (3) increases the fine for second violations to \$2,500 and third and subsequent violations to \$5,000.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue –
Exceeds \$6,000/Lawful Employment Enforcement Fund

Assumptions for the bill as amended:

- Based on information from the Department of Labor and Workforce Development (DLWD), there are an average of 24 citations for violations of the Tennessee Lawful Employment Act (TLEA) annually.
- The penalty for a first violation for employers is increasing by \$500 (\$1,000 – \$500).

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- Given the proposed penalty increases for second and subsequent violations, the penalty for a violation of the TLEA is assumed to increase by a minimum of \$500.
- At least 50 percent of penalties are per employer rather than per employee.
- The total recurring increase in state revenue to the Lawful Employment Enforcement Fund is estimated to exceed \$6,000 (24 violations x 50% x \$500 minimum increase).
- DLWD currently enforces the TLEA. Increasing the penalties will not increase the workload of DLWD; therefore, the fiscal impact to the department is estimated to be not significant.
- Professional licensing fee revenue will decrease as a result of any second or subsequent violation due to the five year license suspension. Based on information provided by the DLWD, there will be less than one second or subsequent violation each year; therefore, any decrease in state license fee revenue is estimated to be not significant.
- Any impact for the Central Procurement Office to increase the prohibition period for violators of the contract requirements will be not significant.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

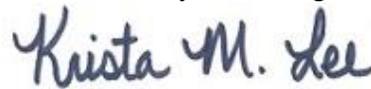
Increase Business Expenditures – Exceeds \$6,000

Assumptions for the bill as amended:

- The provisions of the bill as amended will result in a recurring increase in business expenditures estimated to exceed \$6,000 for the payment of civil penalties.
- The provisions of the bill as amended are not anticipated to have a significant impact on the overall number of jobs in Tennessee.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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