



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill # HB 226.01

Title: Provide for a legal employment and government accountability law

Primary Sponsor: Courtenay Sprunger

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
Expenditures:				
General Fund	\$214,204	\$188,604	\$0	\$0
State Special Revenue	\$0	\$0	\$186,130	\$184,964
Other	\$0	\$0	\$6,090	\$6,181
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	Unable to determine	Unable to determine	Unable to determine	Unable to determine
Other	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$214,204)</u>	<u>(\$188,604)</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 226 requires employer verification regarding legal ability to work in the United States of all employees prior to the commencement of work. The Department of Labor and Industry (DLI) is charged with enforcement of the act and provides penalties for employer violations. The bill also affects employment processes for the onboarding of new state employees as well.

FISCAL ANALYSIS

Assumptions:

Department of Labor and Industry

1. HB 226 provides DLI the ability to impose penalties for employers in violation after an investigation, audit, or review is performed. A state special revenue account will be created for all deposits of assessed penalties. All monies deposited are available to for DLI to spend on the implementation and administration of purposes set forth in HB 226, by appropriation.

2. Penalties include up to, but not exceeding; \$500 for employers who refuse to submit books, records, or payroll requested by DLI, \$500 for a first violation per individual employed, hired, or recruited, \$1,000 for a second violation per individual employed, hired, or recruited, and \$2,500 for a third or subsequent violation per individual employed, hired, or recruited.
3. At this point, DLI is unable to determine how many violations would be found, and therefore is unable to estimate this revenue. Therefore, in order to accomplish work for the first biennium, general fund would be required. For the 2029 Biennium, this would be revisited during the budget development process and funded fully or partially with state special revenue if sufficient revenue exists.
4. Starting July 1st, 2025, DLI would need to hire 1.00 FTE Compliance Specialist 1. The Compliance Specialist's annual salary and benefits would be \$70,503 in FY 2026 and FY 2027, \$71,786 in FY 2028, and \$71,336 in FY 2029.
5. The department estimates operating costs such as telephone, copiers, scanners, utilities, minor equipment, supplies, technology costs, rent, and indirect costs will total \$23,599 in FY 2026, \$20,799 in FY 2027, \$21,279 in FY 2028, and \$21,146 in FY 2029. One-time-only operating expenditures for the 1.00 FTE include \$1,600 for office supplies and equipment and \$1,200 for a computer are included in FY 2026.

Department of Administration

6. HB 226 indicates that employment verification must happen prior to any work being done for the employer. In order for the State of Montana to comply with the bill, it will require additional functionality to be added to Statewide Accounting Budgeting and Human Resources Systems (SABHRS) system to integrate with E-Verify to complete the employment verification process. The cost to for the new functionality is estimated to be \$20,000 implementation cost for FY 2026 and additional annual storage fee of \$6,000 for FY 2026 and FY 2027. This amount has been inflated by 1.5% for FY 2028 and FY 2029.
7. It is assumed that the 2027 Biennium costs would be paid from the general fund to implement the bill. Ongoing costs will then be built into the Human Resources Information Systems (HRIS) proprietary rates for the 2029 Biennium.
8. The staff time and hours to research and set up E-verify would be absorbed by existing budgets.

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	1.00	1.00	1.00	1.00
<u>Expenditures:</u>				
Personal Services - DLI	\$70,503	\$70,503	\$71,786	\$71,336
Operating Expenses - DLI	\$23,599	\$20,799	\$21,279	\$21,146
Operating Expenses - DOA	\$26,000	\$6,000	\$6,090	\$6,181
TOTAL Expenditures	\$120,102	\$97,302	\$99,155	\$98,663


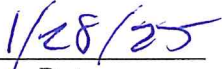
<u>Funding of Expenditures:</u>				
General Fund (01)	\$120,102	\$97,302	\$93,065	\$92,482
State Special Revenue (02)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$6,090	\$6,181
TOTAL Funding of Exp.	\$120,102	\$97,302	\$99,155	\$98,663

<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	Unable to Determine	Unable to Determine	Unable to Determine	Unable to Determine
Other	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0

<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$120,102)	(\$97,302)	(\$93,065)	(\$92,482)
State Special Revenue (02)	Unable to Determine	Unable to Determine	Unable to Determine	Unable to Determine
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other	\$0	\$0	(\$6,090)	(\$6,181)

Technical Notes:

1. If employment verification must be completed before the employee begins any work for the state, it may require returning to a non-electronic process of having the employee complete a paper Form I-9. The Department of Administration will have to do more research into options for keeping this process electronic and may result in additional costs that cannot be determined at this time.

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 Sponsor's Initials Date Budget Director's Initials Date