

REVISED
Department of Planning and Budget
2011 Fiscal Impact Statement

1. **Bill Number:** SB789

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. **Patron:** Watkins

3. **Committee:** Commerce and Labor

4. **Title:** E-Verify program; requires Virginia Employment Commission to use.

5. **Summary:** This bill requires the Virginia Employment Commission (VEC) to use the E-Verify program for each job applicant that VEC refers to an employer to perform work within the Commonwealth. The bill also defines the E-Verify program. This statement was revised to reflect a possible change in advisement from the Department of Homeland Security, as well as a correction of the division of job referrals between self-assisted and VEC staff-assisted.

6. **Budget Amendment Necessary:** Yes. See Item 8, below.

7. **Fiscal Impact Estimates:** Preliminary.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2011	\$0	0.00	n/a
2012	\$1.5 million to \$1.9 million	40.0 to 50.0	Not specified
2013	\$2.1 million to \$2.6 million.	40.0 to 50.0	Not specified
2014	\$2.1 million to \$2.6 million.	40.0 to 50.0	Not specified
2015	\$2.1 million to \$2.6 million.	40.0 to 50.0	Not specified
2016	\$2.1 million to \$2.6 million.	40.0 to 50.0	Not specified
2017	\$2.1 million to \$2.6 million.	40.0 to 50.0	Not specified

8. **Fiscal Implications:** This bill requires VEC to use the E-Verify system maintained by the U. S. Department of Homeland Security (DHS) for each referral of a job applicant made by the agency to employers to perform work in the Commonwealth.

At the present time, VEC has received conflicting communications from DHS regarding whether or not the E-Verify system may be used by state workforce agencies to verify the employment status of individuals they refer to employers for work. If it is determined that implementation of the requirements of this bill are not feasible, the estimated costs associated with this bill will be zero.

In order to use E-Verify, VEC would need to undergo a significant and time-consuming process for each referral in order to comply with the requirements of the E-Verify system.

This new process would result in significant additional administrative costs to VEC. During the 12-month period that ended September 30, 2010, VEC staff made approximately 142,000 separate referrals to job openings that had been submitted by employers. VEC estimates that complying with E-Verify requirements would add approximately eight to ten minutes to each referral transaction in order to complete additional tasks, such as: obtaining information from the job applicant, reviewing the Employment Eligibility Verification Form I-9 (a U.S. Citizenship and Immigration Services form used by employers to verify an employee's identity and to establish that the worker is eligible to accept employment in the U.S.), providing the required notices to the applicant and employer, and keying the data into the E-Verify system.

Using the E-Verify system would also result in the elimination of the ability for job applicants and employers to use an automated system to make self-referrals without any intervention by VEC staff. During the 12-month period that ended September 30, 2010, approximately 485,770 self-referrals were made online without VEC staff interaction. If this bill is enacted, these 485,770 self-referrals would need to be processed through VEC staff due to DHS requirements that state workforce agencies conduct the E-Verify process in-person with the job applicant. As such, these additional 485,770 referrals would increase the total number of referrals processed by VEC staff to approximately 627,770 per year. At an additional eight to ten minutes per referral for each of these 627,770 referrals, VEC estimates the workload associated with this bill would require an additional 40 to 50 Workforce Service Representatives at an average cost (including salary and benefits) of \$51,170 each. This total additional personnel cost for VEC could range from \$2,059,000 to \$2,574,000 per year. Note that the table above assumes these additional personnel costs for three quarters of FY 2013, allowing time for training before the required implementation date of December 1, 2012, for VEC to use E-Verify.

According to VEC, the U.S. Department of Labor, through which VEC receives ninety-nine percent of its funding, would not provide any additional funding for VEC staff to perform work required to process referrals through E-Verify. Consequently, it is uncertain where the funding would come from to provide for the costs associated with this bill. Other funds held by VEC from collections of penalties are already committed for various expenses, including interest payments due to the federal government for loans. If additional funding is not provided for these positions, the agency may be required to redirect resources from other core services that help employers meet their workforce needs.

Finally, VEC partners with the Virginia Community College System (VCCS) for the automated system used to process the self-referrals, known as "Virtual One-Stop" (VOS). The system is owned and managed by VCCS, but the two agencies have a cost-sharing agreement whereby VEC pays for portions of the shared system that affect its programs. As such, re-programming the system to require the VEC to perform individual verifications on each referral would result in additional technological costs that VEC would be responsible for. These costs are indeterminate at this time but are anticipated to be material.

9. Specific Agency or Political Subdivisions Affected: Virginia Employment Commission and the Virginia Community College System.

10. Technical Amendment Necessary: No.

11. Other Comments: This bill would mandate that job applicants travel to a VEC office location to complete the in-person process. This requirement would nullify all advances made by VEC to process applicants online or over the phone. This would add time, costs and inconvenience not only to VEC, but also to the job applicant.

Finally, this bill is identical to the introduced version of HB1914.

Date: January 21, 2011

c: Secretary of Commerce and Trade