

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: House Bill 324 (First Edition)

SHORT TITLE: Stimulus Funds/Contractors Must Use E-Verify.

SPONSOR(S): Representatives Blackwood, Cleveland, Neumann, and Burr

FISCAL IMPACT				
Yes (X)	No ()	No Estimate Available ()		
<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
REVENUES				
EXPENDITURES				
Department of Transportation		Indeterminate fiscal impact		
University of North Carolina		Indeterminate fiscal impact		
Department of Environment & Natural Resources		Indeterminate fiscal impact		
Department of Administration		Indeterminate fiscal impact		
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Transportation; University of North Carolina; Department of Environment & Natural Resources; Department of Administration.				
EFFECTIVE DATE: This act is effective when it becomes law.				

BILL SUMMARY:

House Bill 324 prohibits funds received under the American Recovery and Reinvestment Act of 2009 from being used to enter into a contract with a person or entity that does not participate in the federal E-Verify program (as described in the Illegal Immigration Reform and Immigrant Responsibility Act of 1996), except as required by federal law.

Source: Bill Digest H.B. 324 (02/26/0200)

ASSUMPTIONS AND METHODOLOGY:

Department of Environment and Natural Resources (DENR)

Three programs within DENR will be receiving ARRA funds: the Drinking Water State Revolving Fund, the Clean Water State Revolving Fund, and the Division of Air Quality. All three programs

will contract the funding to local governments or contractors who will be responsible for assuring the vendors hired complete the E-Verify process for their employees. The DENR purchasing office is working with the Governor's Economic Recovery Office to develop language to insert into relevant contracts to let grantees know about the E-Verify requirement. At this time DENR does not anticipate any increased costs or need for new positions.

North Carolina Department of Transportation

E-Verify could increase hiring costs for Department of Transportation contractors, but those costs cannot currently be determined. The time involved in checking the E-Verify system is relatively short, about five minutes a hire, but it cannot be used until the employee is hired and the employing location completes and processes the mandatory I-9 Form. This means employees may be hired and then be determined to be ineligible, adding time and costs to the employment process. The Department of Transportation reports contractors' employee hiring costs over the past two years have run between \$8,400 and \$33,400 per employee. This cost is exacerbated by the fact that the E-Verify system has anywhere from a 10% to 25% error rate, which could cause delays and further increase costs.

Additionally, the cost for a private firm to implement E-Verify would be between \$500 and \$1,000

University of North Carolina (UNC)

The fiscal impact of this bill on the University of North Carolina cannot be determined. The materiality and magnitude of the impact is not readily quantifiable due to factors beyond UNC's immediate control or purview. For example, the requirement of E-Verify use by contractors and subcontractors who would otherwise not have to abide by such standards would seem to intuitively impact the bidding process, but quantifying the fiscal impact would be subjective and speculative at best. UNC would also likely incur one-time costs associated with implementation of the program, the costs of which have not been quantified at this time.

Department of Administration (DOA)

Although the State routinely utilizes contracted and sub-contracted employees for construction projects, the American Recovery & Reinvestment Act (ARRA) does not provide any funding for state building construction. DOA's Purchasing and Contracts office estimates that the only potential costs would be those associated with the E-Verify process. However, the total number of contractors and subcontractors cannot yet be determined. Therefore, at this time DOA does not anticipate any increased costs or need for new positions.

SOURCES OF DATA: Department of Environment and Natural Resources, University of North Carolina, Department of Administration

TECHNICAL CONSIDERATIONS: None

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