



Legislative
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SB 18-171

FINAL FISCAL NOTE

Drafting Number:	LLS 18-0985	Date:	July 18, 2018
Prime Sponsors:	Sen. Holbert; Williams A. Rep. Pabon; Sias	Bill Status:	Deemed Lost
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Bill Topic: MARKETPLACE CONTRACTOR WORKERS' COMP UNEMPLOYMENT

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue (<i>potential, minimal</i>)	<input checked="" type="checkbox"/> TABOR Refund (<i>potential, minimal</i>)
<input checked="" type="checkbox"/> State Expenditure (<i>potential, minimal</i>)	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input checked="" type="checkbox"/> Statutory Public Entity

This bill would have established a test to determine whether a marketplace contractor is an employee or an independent contractor for the purposes of workers' compensation and unemployment insurance benefits. It would have created potential, minimal impacts on state revenue and expenditures.

Appropriation Summary: No appropriation was required.

Fiscal Note Status: This fiscal note reflects the reengrossed bill, as amended by the House Judiciary Committee. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Summary of Legislation

This bill establishes a multifactor test to determine whether a marketplace contractor is an employee for the purposes of workers' compensation, and whether services provided by a marketplace contractor are considered employment for the purposes of unemployment insurance benefits. The bill defines a marketplace contractor as a person who enters into a written agreement with a marketplace platform to use its online system to receive service requests from third parties seeking the types of services offered by the marketplace contractor.

Background

Employment Security Act. The Colorado Unemployment Insurance (UI) program is administered by the Division of Unemployment Insurance in the Colorado Department of Labor and Employment (CDLE). The program provides temporary and partial wage replacement to employees who have become unemployed through no fault of their own. UI benefits are paid from the UI Trust Fund, which is funded through premium and surcharge rates charged to employers on the first \$11,800 of each employee's wages each year. The UI Trust Fund is a TABOR-exempt enterprise.

Worker's Compensation Act. The Colorado Worker's Compensation program is administered by the Division of Workers' Compensation in CDLE. The program requires employers to provide every part-time and full-time worker with workers' compensation insurance coverage, either self-funded or purchased from an insurance company, including Pinnacol Assurance, which is a political subdivision of the state that is required to write insurance policies for all businesses regardless of their industry risk or claims history.

State Revenue and Expenditures

The bill is anticipated to have a minimal effect on state revenue and expenditures.

Assumptions. Under current law, independent contractors are not eligible for UI benefits nor covered by an employer's workers' compensation policy, and the fiscal note assumes that the definition of marketplace contractor applies to individuals who are already operating as independent contractors. The fiscal note also assumes that employers will comply with this clarification to the state law regarding temporary employees.

Unemployment Insurance. Because employers who believe an individual is an independent contractor do not generally contribute to, or cause benefits to be paid from, state UI funds on behalf of that contractor, changes in independent contractor determinations change state revenue only to the extent that these employers are audited or otherwise compelled to take corrective action. Only a large increase in the number of employers liable for failure to provide UI coverage would cause a significant change in state revenue and expenditures. Given the history of a high rate of employer liability, a significant increase in UI revenue and expenditures is not likely to occur under this bill.

Statutory Public Entity Impact

Similar to the state, Pinnacol Assurance is anticipated to be generally unaffected by the bill.

Effective Date

The bill is deemed lost since the House of Representatives laid the bill over until May 10, 2018, during second reading.

Departmental Difference

The CDLE estimates a reduction in revenue from premiums and interest earnings to the UI Trust Fund, as well as UI tax charge reductions to other UI accounts, totaling about \$22.6 million per year. This estimate is based on the CDLE's assumption that the bill will reclassify 5 percent of the 2.25 million private UI-covered employees in the state to non-covered status. CDLE also estimates an increase in expenditures of approximately \$235,000 per year for an additional 3.0 FTE of an Auditor II to perform an estimated 10 percent increase in audits of marketplace platform businesses, which have not been under previous CDLE review. The fiscal note assumes that employers who believe an employee is an independent contractor do not generally contribute to, or cause benefits to be paid from, state UI funds and that employers are in compliance with UI law; therefore, these impacts have been excluded from this analysis.

State and Local Government Contacts

Labor

Law