

March 6, 2025

The Honorable Tom Kessler, Chairperson
House Committee on Federal and State Affairs
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Kessler:

SUBJECT: Fiscal Note for HB 2066 by House Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2066 is respectfully submitted to your committee.

HB 2066 would require all businesses and public employers in Kansas to use E-Verify beginning on July 1, 2025. E-Verify is a web-based system that allows employers to confirm the eligibility of employees to work in the United States. Businesses would be required to retain all documentation associated with using E-Verify for up to three years and make all documentation available to the Attorney General or the county attorney or district attorney upon request. Businesses that are found not to be using E-Verify or properly retaining documentation could have their state licenses suspended for at least ten days but not more than one year. The bill would prohibit state agencies from entering into new contracts for services unless the contractor uses E-Verify.

Under the bill, it would be unlawful for a business or public employer to knowingly hire an unauthorized alien for employment in the state. The bill would require the Office of the Attorney General to create a complaint form for individuals to report alleged violations. Complaints submitted to the Office of the Attorney General or the county attorney or district attorney must also be submitted to the county in which the alleged unauthorized alien is, or was previously, employed. The bill would require notification be given to U.S. Immigration and Customs Enforcement if any legal action is brought against a business. If a business is found to have knowingly hired an unauthorized alien, the business would be ordered by the courts to terminate the employment of all unauthorized aliens. For a first violation, the courts would order the suspension of all state licenses for at least one day but not more than 30 days. For a second violation, the courts would order the suspension of all state licenses for at least 30 days but not more than one year. For a third violation, the courts would order the permanent suspension of all

state licenses and the revocation of the business's registration as a corporation, limited liability company, or limited partnership in Kansas.

The bill would require a business to submit a signed affidavit to the Department of Revenue that states whether the business utilized a deduction in determining federal adjusted gross income; employed any employees or independent contractors and the number of employees or contractors; is enrolled in and is actively participating in E-Verify; has used E-Verify to confirm the employment authorization of every employee hired on or after July 1, 2025; and has confirmed that any independent contractor paid by the business entity is an independent contractor who is registered with and utilizing E-Verify. If the Department of Revenue finds that a business knowingly made material misrepresentations of fact in the affidavit, the business entity would be required to add back any business deductions taken when calculating its tax liability.

The Department of Revenue estimates that HB 2066 has the potential to increase State General Fund by unknown amounts beginning in FY 2026. The Pew Research Center estimates that there are 55,000 employed unauthorized aliens in Kansas. Data from the U.S. Bureau of Labor Statistics on industries that commonly use unauthorized workers include farming, manufacturing, and service work indicates that total wages of these Kansas workers is over \$2.2 billion a year. If all of these workers are still compensated, these wages could be added back into the employer's taxable income. This would increase total tax liability by an estimated \$144.8 million per year. However, it is very unlikely that an employer would voluntarily add back the salaries and wages paid to unauthorized aliens. If 1.0 percent of salaries and wages are later determined to be paid to illegal aliens, then approximately \$22.3 million salaries and wages could be added back to taxable income which would increase State General Fund revenues by approximately \$1.4 million in FY 2026. This figure would be lower if employers no longer hire unauthorized workers. Additionally, the wages no longer paid to unauthorized aliens would lower their personal income tax liability and decrease State General Fund revenues by an unknown amount. The addition modification is effective for tax year 2025 with the first impacts being seen in FY 2026.

The Department indicates that the bill would require \$73,035 from the State General Fund in FY 2026 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required.

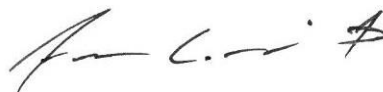
The Office of the Attorney General indicates the bill would require \$230,882 in FY 2026 to implement the bill. The bill would require that the Office hire 2.00 new FTE positions in the Civil Division to enforce the bill, including 1.00 FTE Attorney position and 1.00 Legal Assistant position. The estimated costs for FY 2026 include \$197,660 for the salaries and wages for the new positions and \$33,222 for workstation setup, training, and office supplies. The Office indicates that it would be required to create a complaint form for individuals to report alleged violations. However, the costs to create the form are estimated to be negligible and could be absorbed within existing resources.

The Judiciary indicates that the bill has the potential to increase the number of cases filed in district courts. This may increase agency operating expenditures due to the additional time spent by district court judicial and nonjudicial personnel in processing, researching, and hearing cases. However, the Judiciary is unable to calculate an exact estimate of this effect. The bill has the potential to increase the collection of docket fees, fines, and supervision fees, which are deposited in the State General Fund; however, the amount of additional collections is unknown.

The Department of Administration indicates that it already uses the E-Verify system and would be responsible for incorporating the E-Verify system into the state's hiring process to ensure that all State of Kansas agencies would use the system. The E-Verify system is a free service, so there would be no costs associated with participation in the system, other than staff time spent training on and subsequently using the system. The requirement that no public employer enter into a contract for the performance of services within this state unless the contractor registers and participates in E-Verify would require a modification of the standard forms that are required to be completed by potential vendors as part of the state's procurement process. These costs to implement the bill are estimated to be negligible and could be absorbed within existing resources. Any fiscal effect associated with HB 2066 is not reflected in *The FY 2026 Governor's Budget Report*.

The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill has the potential to increase local government expenditures for the training and subsequent use of the E-Verify system in its hiring and procurement process. Most local governments already use a verification system in the hiring process, but not necessarily the E-Verify system. Any training costs related to the E-Verify system for local governments are estimated to be negligible. Additionally, the bill has the potential to increase local government expenditures on enforcement and legal proceedings by unknown amounts.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Samir Arif, Department of Administration
Matt Bingesser, Office of the Attorney General
Trisha Morrow, Judiciary
Jay Hall, Kansas Association of Counties
Wendi Stark, League of Kansas Municipalities