



Legislative Fiscal Bureau

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March 27, 2017

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 25: Child Work Permits

Assembly Bill 25 (AB 25) was introduced on January 18, 2017, and was referred to the Assembly Committee on Labor. On February 27, 2017, the Assembly Committee on Labor recommended adoption of Assembly Amendment 1 by a vote of 9 to 0, and recommended the bill for passage as amended on a vote of 6 to 3. On March 1, 2017, the bill was referred to the Joint Committee on Finance. An emergency statement, as required by Wis. Stat. 16.47(2), was attached by the Governor on March 10, 2017.

Senate Bill 11 (SB 11), a companion bill to AB 25, was introduced on January 26, 2017, and was referred to the Senate Committee on Public Benefits, Licensing and State-Federal Relations. The Senate Committee on Public Benefits, Licensing and State-Federal Relations held a public hearing on SB 11 on March 15, 2017.

CURRENT LAW

Subject to certain exceptions, current law requires child work permits for the lawful employment of minors under 18 years of age. Employers must have a work permit on file for the minor being employed before they may allow the minor to begin work. Child work permits are issued by permit officers (typically a school district, high school, or local government), as designated by the Department of Workforce Development (DWD). To obtain a work permit, either the minor alone or the minor and a parent must visit the permit officer, and present to the officer: the minor's birth certificate or other proof of age; the minor's social security card; a letter from the employer expressing intent to hire, description of job duties and hours of work; a written parents' consent; and a \$10.00 permit fee. Copies of the permit go to the employer and the minor, in addition to the school district where the minor is enrolled. The employer must reimburse the \$10.00 permit fee to the minor by no later than the date of the first paycheck.

The issuance of a child work permit provides DWD, the issuing party and the state general fund with revenue. For each \$10.00 permit issued \$5.00 is deposited into a DWD equal rights

program revenue appropriation, \$2.50 is deposited to the general fund, and \$2.50 is retained by the local permit issuer. Revenues received by DWD from permit fees were \$425,900 in 2015-16. DWD uses these funds to support 6.0 FTE positions that provide enforcement and education related to laws governing the employment of minors.

Under current law, a minor under 14 years of age may not be employed or permitted to work in any gainful occupation at any time, except that certain exceptions apply to this requirement including, for example, minors 12 years of age or older engaged in street trades and certain agricultural and domestic service work. Under current law, "street trades" means the selling, offering for sale, soliciting for, collecting for, displaying or distributing any articles, goods, merchandise, commercial service, posters, circulars, newspapers or magazines, or the shining of shoes on any street or other public place or from house to house. To issue a street trade work permit, the permit officer follows the same process for issuing a child work permit.

Under Wisconsin's worker's compensation law, when a minor becomes an employee of a company, they must be covered by the employer's worker's compensation coverage. When an injury is sustained by a "minor of permit age," who at the time of the injury is employed without a child work permit, the employer must pay an amount equal to the amount recoverable by the injured employee, but not to exceed \$7,500. When an injury is sustained by a "minor of permit age," who at the time of the injury is employed within a prohibited occupation, the employer must pay an amount equal to double the amount recoverable by the injured employee, but not to exceed \$15,000. The penalties collected are paid into the Work Injury Supplemental Benefit Fund (WISBF). The WISBF is primarily funded through statutory assessments against insurance carriers and employers and pays limited classes of claims.

Under current law, a certificate of age provides conclusive evidence of the age of the person to whom it is issued in any proceeding under any of the state labor laws. Under Wis. Stat. 103.75(1), DWD may issue certificates of age for a minor of permit age (any person under 18 years of age) under rules the Department deems necessary. Under the rules adopted by the Department, certificates of age may be issued to persons 18 years of age and over. The Department rule reflects that, in practice, individuals under 18 years of age require a work permit and that such a permit already specifies the age of the individual, thus eliminating the need for an age certificate for those of permit age.

SUMMARY OF BILL

The bill would eliminate the requirement that minors aged 16 or 17 obtain a child work permit or street trade work permit. Minors under 16 years of age would continue to be required to obtain a child work permit or street trade work permit. The bill would not alter existing state laws regarding the maximum hours or times of day that minors under 18 years of age may work.

AB 25 would replace the term "child labor" in current law with "the employment of minors."

AB 25 would delete a provision which prohibits theatrical exhibitions and public shows which employ children under the age of 15 from receiving a license from the board of officers, if

the board determined that those children are employed in a manner that may corrupt their morals or impair their physical health. According to research conducted by the Legislative Reference Bureau, this provision was enacted in 1899. The "board of officers" does not exist and the licenses that they are authorized to issue have not been issued. The Department notes that this provision is obsolete.

Under the bill, the term "minor of permit age" under Wisconsin's worker's compensation law would mean under 16 years of age. Therefore, penalty payments to the WISBF made by employers for the injury of an employee in a prohibited occupation would only be made if the employee is under 16 years of age.

Under the bill, DWD would be permitted to issue certificates of age for minors under 16 years of age.

The bill would also delete statutory language which would no longer be relevant due to the elimination of the work permit requirement for minors aged 16 or 17.

ASSEMBLY AMENDMENT 1

Assembly Amendment 1 (AA 1) to AB 25 would require an employer to make a penalty payment to the WISBF for the injury of an employee in a prohibited occupation if the employee is a "minor of permit age or older". Under the amendment, an employer is subject to the same requirements that apply under current law. The treatment of this provision under the amendment first applies to an injury or death occurring on the effective date of the bill.

AA 1 to AB 25 deletes the provision permitting DWD to issue age certificates for minors under 16 years of age, and instead permits DWD to issue age certificates for "individuals," which includes minors and adults.

FISCAL EFFECT

DWD submitted a fiscal estimate which indicated AB 25 would reduce revenue to the Department's child labor permit system fees appropriation by \$350,000 PR annually. In addition, DWD estimated revenue to the general fund would be reduced by \$175,000 GPR annually and revenue to local permit issuers would decrease by \$175,000 annually. The Department also estimated that the loss of revenue to DWD's WISBF would be \$30,000 SEG annually. According to the Department, the total estimated revenue loss to local governments and the state would be \$730,000 (all funds), annually.

As part of the Department's 2017-19 biennial budget request, DWD's revenue estimate for the permit system fees appropriation was \$360,000 PR in 2017-18 and \$350,000 PR in 2018-19. Given the Department's estimate of a \$350,000 annual revenue reduction as a result of AB 25, this would indicate that nearly all revenue would be eliminated from this appropriation.

The Department's fiscal estimate indicated that the bill would reduce revenue in the Division of Worker's Compensation. According to DWD, the loss of revenue that would result from the age requirement change for minor work permits is estimated to be \$30,000 SEG annually, which

includes \$20,000 SEG annually from penalties assessed on employers that employ a minor without a proper work permit and \$10,000 SEG annually from penalties assessed on employers that employ a minor in a prohibited occupation.

Fiscal notes were also submitted by five other state agencies: Wisconsin Court System (CTS), District Attorney (DA), Department of Corrections (DOC), Department of Justice (DOJ), and Department of Public Instruction (DPI). These agencies cited either indeterminate or no state or local fiscal effect.

Subsequent to release of the Department's fiscal estimate for AB 25, DWD has indicated that it may be reasonable to assume that, under the bill, the Department would continue to receive some revenues in 2017-18 and 2018-19. According to the Department, 96,137 child labor work permits were issued in 2016, of which 73% were issued to 16 and 17 year olds (70,258) with the remaining 27% issued to those under 16 years of age (25,879). Under AB 25, DWD would continue issuing permits for minors under 16 years of age. Table 1 shows that if the bill would eliminate approximately 75% of revenue from DWD's 2017-19 biennial budget revenue estimate for this appropriation (a slightly more conservative estimate than the 2016 actual percentage of permits issued to 16 and 17 year olds), DWD would still receive estimated revenue of \$90,000 in 2017-18 and \$87,500 in 2018-19.

In recent years, revenues to DWD's permit system fees appropriation have exceeded expenditures and, as a result, the Department estimates that this appropriation will contain an opening balance of \$608,000 at the start of 2017-18. Utilizing the projected \$608,000 balance, in combination with estimated additional revenues of \$90,000 in 2017-18 and \$87,500 in 2018-19, would yield an ending balance of \$31,700 at the end of the 2017-19 biennium, while maintaining budgeted expenditure levels. Beyond the 2017-19 biennium, revenues to the appropriation would be unable to support currently authorized expenditure levels. DWD is authorized to use GPR from the Department's general program operations appropriation to fund operations expenditures. Under the 2017-19 biennial budget, this general operations appropriation would be authorized \$7,946,000 GPR and 74.65 positions in 2018-19.

TABLE 1

Permit System Fees Appropriation Estimate Under AB 25

	2015-16 <u>Actual</u>	2016-17 <u>Estimate</u>	2017-18 <u>Estimate</u>	2018-19 <u>Estimate</u>
Opening Balance	\$474,600	\$572,200	\$608,000	\$324,400
Child labor permit fees - current law	425,900	390,000	360,000	350,000
Revenue reduction under AB 25			<u>-270,000</u>	<u>-262,500</u>
Total Revenue	\$425,900	\$390,000	\$90,000	\$87,500
Total Available	\$900,500	\$962,200	\$698,000	\$411,900
Actual or Authorized Expenditures	\$328,300	\$354,200	\$373,600	\$380,200
Closing Balance	\$572,200	\$608,000	\$324,400	\$31,700

Subsequent to release of the Department's fiscal note to AB 25, Amendment 1 was adopted. The amendment restored the current law penalties assessed on employers that hire a minor in a prohibited occupation. Thus, under AA 1 to AB 25, DWD would not experience the annual \$10,000 SEG revenue decrease estimated under the original bill. The fiscal effect of AA 1 would be to reduce the estimated revenue loss to DWD's WISBF from \$30,000 SEG annually to \$20,000 SEG annually.

Under the revised estimate of the decrease in revenue under the bill as amended, the total estimated revenue loss to local governments and the state, all funds, would be \$560,000 in 2017-18 and \$545,100 in 2018-19. This is shown in Table 2.

TABLE 2

Revised Estimated Revenue Decrease Under AB 25, All Funds

	<u>2017-18</u>	<u>2018-19</u>
Work Permits (PR)	\$ 270,000	\$262,500
General Fund (GPR)	135,000	131,300
WISBF (SEG)	<u>20,000</u>	<u>20,000</u>
Subtotal (State)	\$425,000	\$413,800
Local Permit Issuers	\$135,000	\$131,300
Total	\$560,000	\$545,100

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