

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 237 (Delegate Krvsiak)

Economic Matters

Unemployment Insurance - Quarterly Wage Reports - Electronic Access for Credit Reporting

The bill requires the Department of Labor, Licensing, and Regulation (DLLR) to contract with at least one consumer reporting credit agency to develop a system, and the appropriate safeguards, to electronically provide wage information to end users through the contracted consumer credit reporting agency(s).

Fiscal Summary

State Effect: Potential minimal. The estimated \$300,000 start-up costs are to be reimbursed by the consumer credit agency(s) under contract.

Local Effect: None.

Small Business Effect: Potential minimal. To the extent that a credit reporting service is a small business it may lose clients and revenues to a firm with the State contract.

Analysis

Bill Summary: The bill requires that DLLR implement a system that will provide secure electronic access to the quarterly wage reports to the credit reporting agency(s) under contract. Access is limited to the 16 calendar quarters preceding the request.

All development, implementation, and start-up costs are to be paid by the credit reporting agency(s) and DLLR is prohibited from providing any information until the agency(s) has reimbursed DLLR for these costs.

The bill requires that these services be self-supporting in the out-years and that all revenues

generated in excess of what is needed to pay for program costs be paid into the Special Administrative Expenses Fund.

DLLR will require the signed written consent of the employee whose records are requested. The credit reporting agency(s) will guarantee the confidentiality of the information and is restricted to using the information to support a single credit transaction. DLLR will set regulations detailing the audit, security, and liability insurance standards as well as any other safeguards it deems necessary.

The consumer reporting agency(s) shall be subject to the applicable State and federal fair credit and privacy civil penalties and fines for any violations of the bill.

Current Law: DLLR is not required to provide wage information to any consumer credit reporting agencies, only to certain authorized government agencies. DLLR only stores eight quarters of wage information in its system.

Background: The bill is designed to allow consumer lending companies almost immediate access to wage information for a loan applicant. The traditional process is for an applicant to provide valid wage information such as federal W-2 wage statements, tax returns, or paycheck stubs. This bill will allow access to this information from the government databases in e-mail or on-line form.

There is currently only one consumer credit reporting agency that has the technology to provide this service. This firm is currently providing these services in four states; Texas, North Carolina, Iowa, and Minnesota.

State Fiscal Effect: The bill requires that the vendor reimburse all costs to DLLR associated with starting up this program. These costs are estimated to be \$300,000. Should the vendor break the contract DLLR would experience significant outlays. Under such circumstance, the State would have legal recourse, but that would involve legal expenses.

There is a potential of revenue and/or expenditure increases from the civil and criminal penalties applicable to the bill, but these are estimated to be minimal.

Additional Comments: One difference between Maryland and other states with this system is the portion of the workforce that is employed by the federal government. Approximately 10% of the State's workforce is employed by the federal government and the State does not have wage records for federal employees.

Additional Information

Prior Introductions: None.

Cross File: SB 406 (Senator Astle) - Finance.

Information Source(s): Department of Labor, Licensing, and Regulation; *The Washington Times*; Department of Legislative Services

Fiscal Note History: First Reader - February 11, 2000
nncsjr

Analysis by: Brian D. Baugus

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510