

OFFICE OF FISCAL ANALYSIS

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sHB-6913

AN ACT CONCERNING COVENANTS NOT TO COMPETE.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 \$	FY 21 \$
Labor Dept.	GF - Potential Cost	70,647	75,425
State Comptroller - Fringe Benefits ¹	GF - Potential Cost	29,999	31,068
Labor Dept.	GF - Potential Revenue Gain	Minimal	Minimal

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which limits the use of non-compete covenants in employee contracts, results in a potential General Fund cost of \$99,746 in FY 20 and \$106,493 in FY 21 to the Department of Labor (DOL), as well as a potential minimal revenue gain from civil penalties.

It is unknown how many employers use non-compete covenants; however any violations of the bill's provisions would likely carry a civil penalty.² Any complaints of violation would therefore require an investigation and potential administrative hearing. To the extent there are a substantial number of complaints, there is a cost of \$99,746 in FY

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 41.19% of payroll in FY 20 and FY 21.

² Whether or not violations would actually carry a civil penalty ultimately depends on where the bill would be codified in statute if it were to pass.

20 and \$106,493 in FY 21 associated with the salary and fringe benefits of one Wage Enforcement Agent.

The Out Years

The annualized ongoing cost impact identified above would continue into the future subject to inflation. The annualized ongoing revenue impact identified above would continue into the future subject to fluctuation in the number of potential civil penalties levied.