



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 374** HLS 23RS 726
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 2, 2023 7:58 AM	Author: LARVADAIN
Dept./Agy.: Louisiana Workforce Commission	
Subject: State Minimum Wage	Analyst: Noah O'Dell

EMPLOYMENT/WAGES-MINIMUM OR INCREASE GF EX See Note Page 1 of 2
 Establishes a state minimum wage rate

Proposed law establishes a state minimum wage and sets it at \$10 per hour beginning Jan. 1, 2024. Proposed law provides that the state minimum wage shall be \$12 per hour beginning Jan. 1, 2026. Proposed law provides that the state minimum wage shall be \$14 per hour beginning Jan. 1, 2028. Proposed law requires that if the federal minimum wage is raised, the state minimum wage shall also be raised to that amount. Proposed law provides that in addition to any other remedy provided by law, an employee shall have a civil right of action for damages against an employer for a violation of the provisions of proposed law. Proposed law provides that the employee may file a civil action in a parish, city, or district court of proper venue. Proposed law provides that any civil action filed to recover wages plus reasonable attorney fees and court costs associated for a violation shall be commenced within 3 years from the date that an employee becomes aware that the employer is in violation of proposed law. Proposed law provides that Louisiana Workforce Commission (LWC) shall enforce proposed law and is authorized and directed to promulgate rules and regulations.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Annual Total						

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The proposed law is anticipated to increase state expenditures by \$1.3 M in FY 24, \$1.3 M in FY 25, \$1.9 M in FY 26, \$2.4 M in FY 27, \$3.7 M in FY 28, and twelve (12) T.O. positions in the Louisiana Workforce Commission (LWC). These costs can be attributed to the increased wages of persons employed by the State and the cost of LWC enforcing the minimum wage throughout the state, as specified in proposed law.

Wage Increase Impact

The following table shows the required salary increases provided by State Civil Service Department necessary to comply with the proposed minimum wage at each tier. Wage increases at each minimum wage tier will cumulatively increase state expenditures.

Minimum Wage	FY 24	FY 25	FY 26	FY 27	FY 28
\$10	\$ 160,176	\$ 320,352	\$ 320,352	\$ 320,352	\$ 320,352
\$12	-	-	\$ 572,537	\$ 1,145,073	\$ 1,145,073
\$14	-	-	-	-	\$ 1,270,385
Total Impact	\$ 160,176	\$ 320,352	\$ 892,889	\$ 1,465,425	\$ 2,735,810

Note: Civil Service indicates these values include salary market adjustment percentages from 4/3/2/2 to 4/4/3/3, which are effective July 15, 2023. The minimum wage tiers bring wages to \$10/hr, \$12/hr, and \$14/hr on January 1st in each respective fiscal year and assume WAEs work 1,245 hrs/year, which is the max for WAEs. This minimum wage analysis does not include costs associated with related benefits because these rates vary depending on the employee's retirement plan.

The following table shows the classification of state employees who are impacted at each minimum wage tier.

Affected State Employees	FY 24	FY 25	FY 26	FY 27	FY 28
Classified Employees	0	0	173	173	772
Unclassified Employees	183	183	339	339	724
WAEs	67	67	280	280	599
Total	250	250	792	792	2,095

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REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

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| <p><u>Senate</u></p> <p><input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}</p> <p><input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}</p> | <p><u>House</u></p> <p><input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p> |
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Evan Brasseaux
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 Interim Deputy Fiscal Officer



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CONTINUED EXPLANATION from page one:

Salaries and wages of classified employees and WAE employees are paid with all means of financing (MOF). All MOF may be affected by the total cost increase resulting from this proposed law. This minimum wage analysis does not include costs associated with related benefits because these rates vary depending on the employee's retirement plan. Although not included in the analysis, related benefits are anticipated to increase by an indeterminable amount under this measure.

Louisiana Workforce Commission Enforcement Costs

Presently, the State is under the federal minimum wage enforced by the U.S. Department of Labor (US DOL), Wage and Hour Division through the Fair Labor Standards Act (FLSA). As such, the U.S. Wage and Hour Division handle the majority of wage and hour complaints. According to the LA Workforce Commission (LWC), if a state minimum wage law is enacted, they have a memorandum of understanding (MOU) with the US DOL to investigate and enforce wage and hour complaints.

According to LWC, if the department is tasked to provide the same or similar enforcement services as US DOL Wage and Hour Division, a new division within LWC will have to be created and staffed. LWC estimates that they would need to hire ten investigators (\$71,728 salary and related benefits each), an attorney (\$135,053 salary and related benefits), and an administrative assistant (\$48,398 salary and related benefits) to investigate and enforce wage complaints. One-time implementation costs are anticipated for twelve laptops (\$1,100 each), ten vehicles (\$25,000 each), travel (\$50/day for 200 days), and employee education material (\$12,500). The projected cost of the additional staff, office supplies, travel, and equipment is \$1,186,431 in FY 24. Travel expenses and the cost of employee education materials are continued in subsequent fiscal years. LWC currently enforces child labor laws using employees in a similar manner and created their estimate for costs of enforcement based on that division within the department.

Total Estimated Impact (Wage Increase Impact + LWC Enforcement)

The following table is meant to summarize the effect of the wage increase impact as reported by the Civil Service Department and the costs born by the LWC per the enforcement requirement of the proposed minimum wage law. Wage increases at each minimum wage tier will cumulatively increase state expenditures.

	FY 24	FY 25	FY 26	FY 27	FY 28
Wage Increase Impact	\$ 160,176	\$ 320,352	\$ 892,889	\$ 1,465,425	\$ 2,735,810
<u>LWC Enforcement</u>	<u>\$ 1,186,431</u>	<u>\$ 941,246</u>	<u>\$ 959,621</u>	<u>\$ 978,363</u>	<u>\$ 997,480</u>
Total Cost	\$ 1,346,607	\$ 1,261,598	\$ 1,852,510	\$ 2,443,788	\$ 3,733,290

Local Wage Impact Costs

The proposed law will increase local governmental expenditures by an indeterminable amount as a result of the newly created state minimum wage that is higher than the current federal minimum wage. To the extent any employees at the local level are paid below the new minimum wage, local governmental expenditures will increase by an amount that is equal to the difference between the employee's current wage and the minimum wage in proposed law.

Judicial and Local Courts

To the extent the proposed law increases the number of civil cases in district courts, an indeterminable increase in costs associated with district attorney prosecutions, judicial workload, time and attendance (presence of judges, clerks, bailiffs, counsel, etc.) may result. It is speculative as to how many, if any, additional civil cases will occur as a result of this measure.

Public Assistance Programs

To the extent the minimum wage increase results in individuals' earnings exceeding the means-tested threshold for TANF cash assistance programs (FITAP and KCSP) and SNAP, there may be an indeterminable decrease in public assistance enrollment and expenditures. The number of individuals that would be impacted by the increase is unknown.

The Department of Children and Family Services (DCFS) administers SNAP. SGF funds approximately half of the costs of administering SNAP. The rest of the administrative costs are funded through a federal match provided by the Food and Nutrition Services (FNS). The possible decrease in SNAP enrollment and expenditures could generate a decrease in the costs associated with administering the program. The magnitude of this decrease is unknown, but is unlikely to be significant.

SNAP benefits are not issued by DCFS. The federal government issues SNAP benefits directly to beneficiaries. Therefore, the possible decrease in SNAP benefits issued due to lower enrollment will have no impact on DCFS expenditures (or revenue).

TANF cash assistance programs (FITAP and KCSP) are administered by DCFS using federal funds. Benefits are also issued by DCFS using federal funds. Because of the low-income threshold for eligibility associated with cash assistance programs, few beneficiaries would be negatively affected by the increase in minimum wage, and the increase in minimum wage is likely to have an immaterial impact on the costs associated with administering the program and issuing benefits.

Senate
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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