

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **SB 269** SLS 16RS 423
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 30, 2016 2:35 PM	Author: PETERSON
Dept./Agy.: Statewide	Analyst: Patrice Thomas
Subject: Creates a State Minimum Wage	

EMPLOYMENT OR +\$332,253 EX See Note Page 1 of 2
 Provides for an increase in the state minimum wage. (2/3-CA7s2.1)(8/1/16)

Proposed law establishes a state minimum wage at \$8.00 per hour beginning 01/01/2017 and \$8.50 per hour beginning 01/01/2018. Proposed law requires that if the federal minimum wage is raised above the state minimum wage, the state minimum wage shall also be raised to that higher federal level. Proposed law provides a civil fine of \$500 to \$1,000 per employee for failure to pay minimum wage. Proposed law further requires that an employer who fails to pay his employee minimum wage shall pay the employee the difference between what the employee was paid, and minimum wage. Proposed law provides that the LA Workforce Commission (LWC) shall enforce the minimum wage laws. Proposed law provides the procedure for the executive director of LWC to impose penalties by an adjudicatory hearing. Proposed law excludes student workers employed by the state and by state colleges and universities from the minimum wage requirement.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Annual Total						

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

This proposed legislation is anticipated to increase state expenditures by \$332,253 in FY 17 as a result of a new minimum wage. State agencies expenditures are anticipated to increase by \$204,200 as a result of additional salary expense and expenditures in the LA Workforce Commission associated with enforcement are anticipated to increase by \$128,053 in FY 17.

Wage Increase Impact

Proposed legislation will increase state expenditures by a total of \$204,200 to fund the additional salary costs of the new minimum wage. According to State Civil Service, as of 01/31/2016, there are 178 classified employees and 22 When Actually Employed (WAE) temporary employees identified earning less than \$8 per hour on 01/01/2017. In FY 17, to comply with the requirements of this legislation, additional state expenditures of \$118,637 for classified employees and additional state expenditures of \$15,563 for WAE employees are anticipated. State Civil Service projects 272 classified employees and 171 WAE employees to earn less than \$8.50 per hour on 01/01/2018. In FY 18, to comply with the requirements of this legislation, additional state expenditures of \$83,024 and one-time additional state expenditures of \$84,137 for WAE employees are anticipated. The fiscal note assumes that the 272 classified employees receive annual 4% performance adjustments on October 1st. See table below.

	FY 17	FY 18	FY 19	FY 20	FY 21
Classified Employees*	\$118,637	\$83,024	\$86,345	\$89,799	\$93,391
WAE Employees**	<u>\$15,563</u>	<u>\$84,137</u>	<u>\$84,137</u>	<u>\$84,137</u>	<u>\$84,137</u>
Total	\$204,200	\$167,162	\$170,482	\$173,936	\$177,528

*Assumes annual 4% performance adjustments
 **Increase to bring wages to \$8/hr in FY 17 and \$8.50/hr in FY 18

The above analysis only estimates the impact on classified employees and WAE employees in state agencies, state colleges and universities, housing authorities, ports, levee boards and independent agencies that are subject to the rules of the State Civil Service Commission. Unclassified employees are not subject to the rules of the State Civil Service Commission; therefore unclassified employees are not included in the above analysis. **Continue on Page 2**

REVENUE EXPLANATION

This proposed legislation creates fines of \$500 to \$1,000 per employee for failure to pay a \$8 per hour minimum wage in FY 17 and \$8.50 per hour minimum wage in FY 18. However, the legislation does not specifically indicate how fines are to be deposited and expended. The Legislative Fiscal Office (LFO) assumes fines will be available to mitigate enforcement cost by the Louisiana Workforce Commission (LWC). In addition, the LFO cannot anticipate the amount of funding that may be collected in fines from employers that fail to comply with state minimum wages.

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

John D. Carpenter
 Legislative Fiscal Officer

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CONTINUED EXPLANATION from page one:

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(Continued Expenditure Explanation from Page 1)

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 legislation. Expenditures discussed and displayed above are displayed as State General Fund MOF for clarity. Although not included in the analysis, related benefits are anticipated to increase by an indeterminable amount under this measure.

Louisiana Workforce Commission

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. As of January 2016, 29 states and the District of Columbia (DC) have minimum wages above the federal minimum wage of \$7.25 per hour. 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.

The proposed legislation requires that the LWC enforce the new state minimum wage under the state's labor law. According to LWC, a new division called the Wage and Hour Division will be created to handle wage and hour complaints. LWC indicates enforcement division may require two administrative assistants and a staff attorney as well as operating costs to handle additional complaints that would apply to the new state minimum wage.

The proposed legislation is silent on the intensity or level of enforcement. The LWC has estimated cost associated with minimum enforcement. Under the minimum enforcement, the LWC would answer questions and coordinate enforcement of minimum wage violations with the US DOL. See table below.

	FY 17*	FY 18	FY 19	FY 20	FY 21
Minimum Enforcement	\$128,053	\$237,006	\$245,586	\$254,510	\$263,790

*Only 6 months of enforcement in FY 17

**Assumes annual 4% performance adjustments

Note: In previous fiscal notes, the cost associated with minimum enforcement was \$735,974. This estimate include LWC handling the majority of wage and hour complaints by hiring five investigators and associated costs (\$426,206) as well as the cost of an IT programmer to reprogram the unemployment insurance (UI) wage web-based portal to collect hourly wage information (\$71,973). Since November 2015, LWC has entered into a MOU with US DOL to investigate wage and hour complaints. Also, the UI wage web-based portal has been reprogrammed to collect hourly wage information. Therefore, the estimated enforcement costs have been reduced by approximately \$500,000.

Local

The proposed legislation will increase local governmental expenditures by an indeterminable amount.

Public Assistance Programs

To the extent the minimum wage increase results in individuals' earnings exceeding the means-tested public assistance threshold, 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.

Senate Dual Referral Rules House

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| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
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