

Department of Planning and Budget 2007 Fiscal Impact Statement

1. Bill Number SB766

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Locke

3. Committee Commerce and Labor

4. Title Minimum wage; increase per hour.

5. Summary/Purpose: Increases the minimum wage from its current federally mandated level of \$5.15 per hour to \$6.15 per hour effective July 1, 2007, unless a higher minimum wage is required by the federal Fair Labor Standards Act.

6. Fiscal Impact Estimates are:

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2006-07	0	N/A	N/A
2007-08	\$1,831,988	N/A	General Fund
2007-08	\$1,257,925	N/A	Nongeneral Fund
2008-09	\$1,816,988	N/A	General Fund
2008-09	\$3,310,641	N/A	Nongeneral Fund
2009-10	\$1,816,988	N/A	General Fund
2009-10	\$6,056,906	N/A	Nongeneral Fund
2010-11	\$1,816,988	N/A	General Fund
2010-11	\$6,056,906	N/A	Nongeneral Fund
2011-12	\$1,816,988	N/A	General Fund
2011-12	\$6,056,906	N/A	Nongeneral Fund
2012-13	\$1,816,988	N/A	General Fund
2012-13	\$6,056,906	N/A	Nongeneral Fund

7. Budget amendment necessary: Assuming that amounts included in the introduced budget for the Miscellaneous Contingency Reserve Account (Item 462, Paragraph D.) are retained in the final version of the bill, then some level of funding may exist to fund the estimated FY 2008 general fund cost of this legislation. However, these estimated amounts do not include certain agencies and therefore potentially underestimates the cost (see item 8 below).

8. Fiscal implications: This proposed legislation impacts both private and public sector employers. While the impact to private sector employers and local governments could be significant, the exact amount is indeterminate. A partial estimate of the Commonwealth's share of the fiscal impact is included in item 6 above. (see also the table at the end of this section). However, these amounts reflect only a portion of the potential state workforce impacted. Specifically, these amounts are based on payroll data for agencies that participate

in the Commonwealth's payroll system (CIPPS) administered by the Department of Accounts. Only about fifty percent of the state workforce is represented in CIPPS. Some large higher education institutions and other agencies utilize separate payroll systems and therefore, the wage information on these employees is not readily accessible thus, these employees are not reflected in the amounts shown in item 6. Because of this, the cost of this bill for non-CIPPS agencies is indeterminate.

The amounts for state employees included in item 6 are based on the number of wage employees in various CIPPS participating agencies that are currently earning less than the \$6.15 per hour that this bill stipulates. The number of wage employees earning less than the new hourly minimum wage was multiplied by the difference between current hourly wages and the \$6.15 hourly rate and the result of this was multiplied by 1,000 hours. (The assumption is that the approximate average hours worked in a given year by a wage employee is 1,000.) This resulted in a total cost for each agency which was then split between general fund and nongeneral fund sources (as shown in item 6).

The out-year costs for state employees wages (FY 2009 and beyond) have been set at the FY 2008 amount. Wage employment in state government can vary from one year to the next and one agency to the next. Wage employment in state government can vary from one year to the next and one agency to the next making the estimation of an out-year cost difficult.

In addition to the amounts required to bring state employees up to the new minimum wage requirements, the Department of Labor and Industry (DOLI) indicates that investigation of payment of wages complaints would increase as a result of this bill. The agency may require additional resources to deal with the added workload. In addition, public education may be necessary to inform employers about the provisions of the bill which will also result in an added fiscal impact.

Increasing the minimum wage may also have an impact on other programs that have income-based eligibility requirements. For example, anytime a Medicaid or FAMIS recipient (or their responsible family member) receives an increase in pay it could impact the recipient's eligibility. An increase in income could mean the difference between receiving Medicaid or FAMIS for a child, being on a spend-down or not eligible at all. This may also occur in other programs such school breakfast.

9. Specific agency or political subdivisions affected: All state agencies and political subdivisions.

10. Technical amendment necessary: None

11. Other comments: On Wednesday January 10, 2007, the House of Representatives passed the Fair Minimum Wage Act of 2007. This legislation would increase the federal minimum wage by \$2.10 per hour to \$7.25 per hour over two years. The minimum wage would be increased from \$5.15 per hour 60 days after enactment. One year later, the wage would be increased to \$6.55 per hour and a year after that, it would be increased again to \$7.25 per hour.

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cc: Secretary of Administration