

Department of Planning and Budget 2018 Fiscal Impact Statement

1. **Bill Number:** HB715

House of Origin Introduced Substitute Engrossed
 Second House In Committee Substitute Enrolled

2. **Patron:** Plum

3. **Committee:** Rules

4. **Title:** Minimum wage; increases to \$10.10 per hour effective January 1, 2019, etc.

5. **Summary:** Increases the minimum wage from its current federally mandated level of \$7.25 per hour to \$10.10 per hour effective January 1, 2019, unless a higher minimum wage is required by the federal Fair Labor Standards Act (FLSA). Effective January 1, 2021, the minimum wage shall be adjusted biennially to reflect annual increases in the consumer price index over the two most recent calendar years. The measure also provides that the Virginia minimum wage applies to persons whose employment is covered by the FLSA and to persons employed by the Commonwealth, its agencies or political subdivisions, or a public body.

6. **Budget Amendment Necessary:** Yes, Item 112 (Department of Labor and Industry) and Item 474 (Central Appropriations) HB30/SB30. See Item 8, below.

7. **Fiscal Impact Estimates:** Preliminary. See Item 8, below.

7a. Expenditure Impact, Department of Labor and Industry:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2018	0	0	n/a
2019	\$253,321	5	GF
2020	\$506,642	5	GF
2021	\$506,642	5	GF
2022	\$506,642	5	GF
2023	\$506,642	5	GF
2024	\$506,642	5	GF

7b. Expenditure Impact, Central Appropriations:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2018	0	n/a
2019	\$273,806	GF/NGF
2020	\$547,613	GF/NGF
2021	\$547,613	GF/NGF
2022	\$547,613	GF/NGF
2023	\$547,613	GF/NGF
2024	\$547,613	GF/NGF

- 8. Fiscal Implications:** The first table above reflects the bill’s anticipated impact to the Department of Labor and Industry (DOLI) for costs related to enforcing the provisions of this bill. It is anticipated that the proposed bill would have a fiscal impact on some state agencies, as the proposed increase to the minimum wage would affect the current salaries of some state employees.

The federal Department of Labor’s Wage and Hour Division enforces the federal minimum wage laws. If the minimum wage in Virginia is raised above the federal minimum wage, the Labor Law Division in DOLI would have to begin enforcing the new minimum wage for Virginia employees beginning January 1, 2019. Currently, the Labor Law Division conducts very few inspections into allegations of Virginia Minimum Wage law at general fund expense as the federal law covers almost all employees in the state.

Due to federal oversight of almost all employees in the state, the federal Department of Labor’s Wage and Hour Division conducts inspections of alleged violations of the minimum wage laws and averages about 750 inspections per year. If this bill is approved and increases the minimum wage above the federal mandate, then the Commonwealth will be responsible for minimum wage compliance. DOLI anticipates it will have to conduct the same number of inspections as the federal Department of Labor’s Wage and Hour Division (750 inspections per year). In order to meet this workload, DOLI will need five additional staff to enforce the increased minimum wage (four additional officer positions to conduct inspections and one assistant compliance officer to assist and support the inspection activities). DOLI’s impact is for regulatory enforcement of the bill.

Based on data provided by the Department of Human Resource Management, the increase that would be effective on January 1, 2019, would affect approximately 385 salaried employees and would have an annual expenditure impact of \$547,806. FY 2019 reflects six months of expenditure impact. Beginning January 1, 2021, the “adjusted state hourly minimum wage” would be established by DOLI based on the United States Average Consumer Price Index. These estimates are based on current salaries for current employees. Benefit costs are not included. The proposed minimum wage adjustment would impact the state salary structure, and result in additional costs in order to mitigate compression, and occupational and employee alignment. Estimates are not available for any effect the bill would have on wage employees and are not included.

The second table above reflects the anticipated impact to state agencies based on the number of salaried employees. The general fund and nongeneral fund shares for these estimates are not available.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Labor and Industry; Department of Human Resource Management; all state agencies.

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** Other similar minimum wage bills include HB39, HB518, HB1259, SB 58, SB240, and SB251.