

## Department of Planning and Budget 2015 Fiscal Impact Statement

1. **Bill Number:** HB1512

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

2. **Patron:** Simon

3. **Committee:** Commerce and Labor

4. **Title:** Minimum wage.

5. **Summary:** Increases the minimum wage from its current federally mandated level of \$7.25 per hour to \$15.15 per hour effective July 1, 2015, unless a higher minimum wage is required by the federal Fair Labor Standards Act. The \$15.15 rate shall be adjusted annually thereafter to reflect increases in the consumer price index. The measure also eliminates provisions that address determinations of the wages of tipped employees.

6. **Budget Amendment Necessary:** Yes, Item 110 (HB1400/SB800). See Item 8, below.

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

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

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2015		0	
2016	\$468,568	5.0	GF
2017	\$468,568	5.0	GF
2018	\$468,568	5.0	GF
2018	\$468,568	5.0	GF
2020	\$468,568	5.0	GF
2021	\$468,568	5.0	GF

**Other State Agencies Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2015		N/A	
2016	\$71,156,786	N/A	GF/NGF
2017	\$71,156,786	N/A	GF/NGF
2018	\$71,156,786	N/A	GF/NGF
2018	\$71,156,786	N/A	GF/NGF
2020	\$71,156,786	N/A	GF/NGF
2021	\$71,156,786	N/A	GF/NGF

7b. **Revenue Impact:** None.

8. **Fiscal Implications:** The first table above reflects the bill's anticipated general fund impact to the Department of Labor and Industry. It is anticipated that the proposed bill will have a

fiscal impact to 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 the Department of Labor and Industry (DOLI) would have to begin enforcing the new minimum wage for Virginia employees beginning July 1, 2015. Currently, the Labor Law Division conducts very few inspections into allegations of Virginia Minimum Wage law 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 (5) 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). The DOLI 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 July 1, 2015, would affect approximately 13,841 salaried employees and have an expenditure impact of \$71,156,786. It is not possible to determine the general and nongeneral fund portions of this cost at this time.

The cash wage paid to a tipped employee and the tip credit paid to a tipped employee is indeterminate.

**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:** SB706 increases the minimum wage from its current federally mandated level of \$7.25 per hour to \$8.00 per hour effective July 1, 2015, unless a higher minimum wage is required by the federal Fair Labor Standards Act (FLSA). The bill also provides that the cash wage paid to a tipped employee shall not be less than 50 percent of the minimum wage, and that the tip credit shall equal the difference between the cash wage required to be paid to a tipped employee and the minimum wage.

SB681, as introduced, and HB1654 increase the minimum wage from its current federally mandated level of \$7.25 per hour to \$8.00 per hour effective July 1, 2015, and to \$9.00 per hour effective July 1, 2016, and to \$10.10 per hour effective July 1, 2017, unless a higher minimum wage is required by the federal Fair Labor Standards Act (FLSA).