

Department of Planning and Budget 2016 Fiscal Impact Statement

1. Bill Number: HB1258

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

2. Patron: Rasoul

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 \$8.50 per hour effective July 1, 2016, to \$10.00 per hour effective July 1, 2017, and to \$11.84 per hour effective July 1, 2018, unless a higher minimum wage is required by the federal Fair Labor Standards Act (FLSA). Effective July 1, 2019, and for years thereafter, the \$11.84 rate shall be adjusted to reflect annual increases in the consumer price index. The measure does not provide that the Virginia minimum wage applies to persons whose employment is covered by the FLSA.

6. Budget Amendment Necessary: Yes, Item 115 (Department of Labor and Industry) and Item 475 (Central Appropriations) HB30/SB30. See Item 8, below.

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

7a. Expenditure Impact, Item 115:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2016		0	
2017	\$476,945	5	GF
2018	\$476,945	5	GF
2019	\$476,945	5	GF
2020	\$476,945	5	GF
2021	\$476,945	5	GF
2022	\$476,945	5	GF

Other State Agencies Expenditure Impact, Item 475:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2016		
2017	\$127,767	GF/NGF
2018	\$1,016,156	GF/NGF
2019	\$6,900,248	GF/NGF
2020	\$6,900,248	GF/NGF
2021	\$6,900,248	GF/NGF
2022	\$6,900,248	GF/NGF

- 8. Fiscal Implications:** The first table above reflects only the bill's anticipated impact to the Department of Labor and Industry for costs related to enforcing the provisions of this bill. 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. These inspections are paid from federal funds. If this bill is approved and increases the minimum wage above the federal mandate, then the Commonwealth will be responsible for minimum wage compliance.

The requirement that the Department of Labor and Industry adjust the state hourly minimum wage, if any, by the Consumer Price Index beginning in 2019 requires only a simple calculation and publication of the calculated hourly rate. It is anticipated that any expenditure impact to the Department of Labor and Industry can be absorbed with existing resources.

It is anticipated that the proposed bill will have a fiscal impact to some state agencies, as the proposed increase to the minimum wage would affect the current salaries of some state employees. The second table above reflects the anticipated impact to state agencies based on the number of salaried employees. Estimates are not available for any effect the bill would have on wage employees and are not included. The general fund and nongeneral fund split for these estimates is not available.

Based on data provided by the Department of Human Resource Management, the increase that would be effective on July 1, 2016, would affect approximately 127 salaried employees and would have an expenditure impact of \$127,767. The increase that would be effective on July 1, 2017, would affect approximately 567 salaried employees and would have an expenditure impact of \$1,016,156. The increase that would be effective on July 1, 2018, would affect approximately 2,818 salaried employees and would have an expenditure impact of \$6,900,248. These estimates are based on current salaries for current employees.

- 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 are as follows:

HB597 and SB668 are companion bills, as introduced, and raise the hourly minimum wage to \$10 effective July 1, 2016, to \$13 effective July 1, 2017, and to \$15 effective July 1, 2018.

HB623 raises the hourly minimum to \$10.10 per hour effective July 1, 2016.

HB988 raises the hourly minimum wage for tipped wage employees.

HB995 establishes a procedure by which a local alternative minimum wage may be imposed in any locality.

SB88 and SB129 raise the hourly minimum wage to \$8 effective July 1, 2016, to \$9 effective July 1, 2017, and to \$10.10 effective July 1, 2018. SB88 also raises the hourly minimum wage for tipped wage employees.