

## Department of Planning and Budget 2016 Fiscal Impact Statement

1. **Bill Number:** HB623

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

2. **Patron:** Krizek

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 \$10.10 per hour effective July 1, 2016, unless a higher minimum wage is required by the federal Fair Labor Standards Act (FLSA). This increase applies only to any employee who is (i) age 25 years or older and (ii) employed by an employer with more than 15 employees.

6. **Budget Amendment Necessary:** Yes, Item 115 (HB30/SB30). See Item 8, below.

7. **Fiscal Impact Estimates:** Preliminary.

**7a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2016		0	
2017	\$377,825	4	GF
2018	\$377,825	4	GF
2019	\$377,825	4	GF
2020	\$377,825	4	GF
2021	\$377,825	4	GF
2022	\$377,825	4	GF

**Other State Agencies Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2016		
2017	\$1,291,108	GF/NGF
2018	\$1,291,108	GF/NGF
2019	\$1,291,108	GF/NGF
2020	\$1,291,108	GF/NGF
2021	\$1,291,108	GF/NGF
2022	\$1,291,108	GF/NGF

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

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.

The bill excludes persons under 25 years of age from coverage. Based on 2014-2015 data from the Virginia Employment Commission, persons under 25 years of age comprise 12.5 percent of the work force. Additionally, only employers with 16 or more employees must pay the increased wage. Based on 2012 data, DOLI estimates employers with less than sixteen employees comprise 10 to 17 percent of the work force. DOLI further reduced the number of complaints it expects to receive from this bill by another 12.5 percent. DOLI anticipates approximately 560 minimum wage complaints a year would have to be investigated.

Based on data provided by the Department of Human Resource Management, the increase that would be effective on July 1, 2016, would affect approximately 806 salaried employees and would have an expenditure impact of \$1,291,108. These estimates are based on current salaries for current 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.

- 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.

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.

HB1258 raises the hourly minimum wage to \$8.50 effective July 1, 2016, to \$10 effective July 1, 2017, and to \$11.84 effective July 1, 2018. HB1258 also requires the Department of Labor and Industry to increase the minimum wage each year, if any, beginning in 2019 by the Consumer Price Index.

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.