

Department of Planning and Budget 2016 Fiscal Impact Statement

1. Bill Number: SB88

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

2. Patron: Marsden

3. Committee: Commerce and Labor

4. Title: Minimum wage; increases wage from its current federally mandated level.

5. Summary: Increases the minimum wage from its current federally mandated level of \$7.25 per hour to \$8.00 per hour effective July 1, 2016, to \$9.00 per hour effective July 1, 2017, and to \$10.10 per hour effective July 1, 2018, unless a higher minimum wage is required by the federal Fair Labor Standards Act (FLSA). The measure does not provide that the Virginia minimum wage applies to persons whose employment is covered by the FLSA. The measure 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.

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	\$476,945	5.0	GF
2018	\$476,945	5.0	GF
2019	\$476,945	5.0	GF
2020	\$476,945	5.0	GF
2021	\$476,945	5.0	GF
2022	\$476,945	5.0	GF

Other State Agencies Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2016		N/A
2017	\$40,112	GF/NGF
2018	\$284,750	GF/NGF
2019	\$966,246	GF/NGF
2020	\$966,246	GF/NGF
2021	\$966,246	GF/NGF
2022	\$966,246	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 also could 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 would have to begin enforcing the new minimum wage for Virginia employees beginning July 1, 2016. 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. The Department of Labor and Industry 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, the Department of Labor and Industry 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). The Department of Labor and Industry'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 July 1, 2016, would affect approximately 60 salaried employees and would have an expenditure impact of \$40,112. The increase that would be effective on July 1, 2017, would affect approximately 247 salaried employees and have an expenditure impact of \$284,750. The increase that would be effective on July 1, 2018, would affect approximately 806 salaried employees and have an expenditure impact of \$966,246. 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: Similar to SB129. SB129 does not provide minimum wage requirements for tipped employees.