

Department of Planning and Budget 2017 Fiscal Impact Statement

1. Bill Number: HB2309

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 \$11 per hour effective July 1, 2017, and to \$15 per hour effective July 1, 2019, unless a higher minimum wage is required by the federal Fair Labor Standards Act (FLSA). Effective July 1, 2020, the minimum wage shall be adjusted annually to reflect the increase in the Consumer Price Index over the most recent calendar year.

6. Budget Amendment Necessary: Yes, Item 115 (Department of Labor and Industry) and Item 475 (Central Appropriations) HB1500/SB900. 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>
2017	\$0	0	N/A
2018	\$495,852	5	GF
2019	\$495,852	5	GF
2020	\$495,852	5	GF
2021	\$495,852	5	GF
2022	\$495,852	5	GF
2023	\$495,852	5	GF

Other State Agencies Expenditure Impact, Item 475:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2017	\$0	N/A
2018	\$3,697,066	GF/NGF
2019	\$3,697,066	GF/NGF
2020	\$43,998,992	GF/NGF
2021	\$43,998,992	GF/NGF
2022	\$43,998,992	GF/NGF
2023	\$43,998,992	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 July 1, 2017. 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 July 1, 2017, would affect approximately 1,768 salaried employees and would have an expenditure impact of \$3.7 million. The increase that would be effective on July 1, 2019, would affect approximately 9,445 salaried employees and have an expenditure impact of \$44 million. Beginning January 1, 2020, 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 consequential additional costs in order to mitigate compression, and occupational and employee alignment.

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 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 are as follows:

HB1444 raises the hourly minimum wage to \$10 effective July 1, 2017; to \$12.50 effective July 1, 2019; and to \$15 effective July 1, 2021.

HB1771 raises the hourly minimum wage to \$10.10 effective January 1, 2018; and to the “adjusted state hourly minimum wage” established by the Department of Labor and Industry effective January 1, 2020.

SB785 raises the hourly minimum wage to \$8 effective July 1, 2017; to \$9 effective July 1, 2018; to \$10.10 effective July 1, 2019; and to \$11.25 effective July 1, 2020. Also raises the hourly minimum wage for tipped wage employees.

SB978 raises the hourly minimum wage to \$10 effective July 1, 2017; to \$13 effective July 1, 2018; and to \$15 effective July 1, 2019; and to the “adjusted state hourly minimum wage” established by the Department of Labor and Industry effective January 1, 2020.