

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4119-01
Bill No.: SB 1007
Subject: Employees - Employers; Salaries
Type: Original
Date: February 1, 2008

Bill Summary: This proposal modifies minimum wage and overtime laws.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	\$240,379	\$259,977	\$279,792
Total Estimated Net Effect on General Revenue Fund	\$240,379	\$259,977	\$279,792

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Federal Funds	\$182,374	\$187,845	\$193,481
Total Estimated Net Effect on <u>All</u> Federal Funds	\$182,374	\$187,845	\$193,481

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 290.502

Officials at the **Office of Administration (OA)** assume the proposed bill removes the indexing of the state minimum wage effective 01/01/2010. This assumes that the state minimum wage would not be as great as the federal minimum wage of \$7.25 per hour effective 07/24/09, at which time the state would need to comply with the federal minimum wage rate. If adopted, the state of Missouri would not need to increase the federal minimum wage by the increase in the CPI effective July 2009, as reported by the Department of Labor and Industrial Relations.

Minimum Wage Assumptions:

1. 125 employees are paid the minimum wage of \$7.25 per hour on January 1, 2010.
2. The employees work half-time, or 1040 hours per year.
3. The increase in the CPI would result in a \$.15 per hour for these employees.

125 employees x \$.15 per hour x 1040 hours per employee per year results in an estimated savings to the state of \$19,500 per year. One-half of FY 2010 would be impacted resulting in savings of \$9,750 for FY 2010 and \$19,500 for FY 2011.

Because employees paid at or near the minimum wage are not typically employed in benefit eligible positions for the state of Missouri, the benefits impacted would be the 7.65% paid for Social Security and Medicare. State contributions for other benefits paid on a percentage basis would not be applicable. Nevertheless, the benefit percentage of 27.05% was calculated for all salary savings. Given that the above assumptions could vary, the benefit calculation provides for a reasonable margin for variability in the minimum wage impact assumptions.

Section 290.505

Officials at the **OA** assume this proposal affects all state agencies since it changes overtime provisions of state law. However, the main impact of the proposed legislation is upon the Department of Corrections and the Adjutant General of the Department of Public Safety. Those state agencies employ flexible schedules for overtime calculations under federal law.

The Department of Corrections would have 133 employees affected at an average salary of \$27,628 per annum.

The Adjutant General has 24 employees affected at an average salary of \$35,735.

ASSUMPTION (continued)

The OA estimate of General Revenue Fund costs which could be avoided if the proposal was implemented totaled \$240,379 for FY09, \$247,590 for FY10 and \$255,017 for FY11. Costs avoided for Federal Funds were estimated at \$182,374 for FY09, \$187,845 for FY 10, and \$193,481 for FY11. The OA estimate represents the overtime costs if the same number of hours were worked on a forty-hour work week basis as opposed to the current 28-day schedules. Benefits are calculated at 27.05%, instead of 44.22% as the cost estimates affect existing employees and does not require the addition of more employees.

Section 290.512

Officials at the **OA** assume the provisions of the proposed legislation for tipped employees would not be applicable to the state of Missouri employees.

Officials at the **Office of the State Courts Administrator, Administrative Hearing Commission, Department of Conservation, Office of the Attorney General, Department of Economic Development, Missouri Department of Transportation, Department of Labor and Industrial Relations** assume that there is no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Savings - Minimum wage & overtime</u>	<u>\$240,379</u>	<u>\$259,977</u>	<u>\$279,792</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$240,379</u>	<u>\$259,977</u>	<u>\$279,792</u>
FEDERAL FUNDS			
<u>Savings - Overtime costs Adjutant General</u>	<u>\$182,374</u>	<u>\$187,845</u>	<u>\$193,481</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$182,374</u>	<u>\$187,845</u>	<u>\$193,481</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

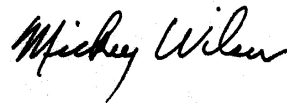
This act reinstates the Federal overtime standards in place before the passage of Proposition B (2006). Currently, the minimum wage is increased or decreased according to fluctuations in the Consumer Price Index. This act prevents such indexing to exceed the federal rate beginning January 1, 2010.

Currently, employers may pay tipped employees half of the Missouri minimum wage if their total compensation, including tips, equals the Missouri minimum wage. This act allows employers to pay such employees \$2.13 per hour if their total compensation, including tips, equals the Missouri minimum wage.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the State Courts Administrator
Administrative Hearing Commission
Department of Conservation
Office of the Attorney General
Missouri Department of Transportation
Department of Economic Development
Office of Administration
Department of Labor and Industrial Relations



Mickey Wilson, CPA
Director
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