

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0325-01
Bill No.: SB 193
Subject: Employees - Employers; Department of Labor and Industrial Relations; Labor and Management
Type: Original
Date: March 12, 2015

Bill Summary: This proposal modifies the minimum wage laws.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(More than \$180,065)	(More than \$363,731)	(More than \$367,369)
Total Estimated Net Effect on General Revenue	(More than \$180,065)	(More than \$363,731)	(More than \$367,369)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Conservation Commission	(More than \$393,080)	(More than \$794,022)	(More than \$801,962)
Parks Sales Tax	(More than \$329,255)	(More than \$665,095)	(More than \$671,746)
Missouri Veterans Homes	(More than \$47,296)	(More than \$95,539)	(More than \$96,494)
State Highway and Transportation	(More than \$39,799)	(More than \$80,393)	(More than \$81,197)
State Fair Fee	(More than \$16,595)	(More than \$33,522)	(More than \$33,857)
Colleges and Universities	(More than \$3,215,500)	(More than \$6,495,310)	(More than \$6,560,263)
Other	(More than \$7,171)	(More than \$14,484)	(More than \$14,629)
Total Estimated Net Effect on <u>Other</u> State Funds	(More than \$4,048,696)	(More than \$8,178,365)	(More than \$8,260,148)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Various	(More than \$52,589)	(More than \$106,229)	(More than \$107,291)
Total Estimated Net Effect on <u>All</u> Federal Funds	(More than \$52,589)	(More than \$106,229)	(More than \$107,291)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	(More than \$351,418)	(More than \$709,863)	(More than \$716,962)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Labor and Industrial Relations, Joint Committee on Administrative Rules, Department of Transportation, Office of Administration - Budget and Planning** and the **Office of the Secretary of State** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Missouri Department of Conservation** state the fiscal impact on their organization is unknown but is likely to be a cost of more than \$100,000.

Officials from the **Office of Administration - Division of Accounting (OA)** assume this proposal would result in higher labor and benefit costs for all state agencies, and for small businesses.

OA officials provided a calculation of the cost to the State for increasing the wages of all current state employees making less than \$10.00 per hour (1,360 employees) to the proposed increase of \$10.00 per hour. OA assumes the proposal would become effective in the spring of FY 2016, and indicated a cost for additional wages of \$701,194. The OA response also indicated the total annual cost including additional wages and benefits at 52.005% would be $(\$701,194 \times 1.52005) = \$1,065,850$. OA officials stated that amount was based on the assumption that all of the employees would be eligible for full state benefits for a full calendar year. This cost is broken down between General Revenue, Federal and Other state funds.

OA officials provided additional information at Oversight's request, indicating their estimate of the fiscal impact for this proposal was based on amounts accumulated from payroll records. OA officials also told us most of the employees reported were part-time and temporary employees who are not typically eligible for most state employee benefits, although some employees reported may be permanent full-time and some may be eligible for full state employee benefits.

Finally, OA officials told us their cost estimate for the state did not include colleges and universities.

ASSUMPTION (continued)

Oversight assumes the proposal could become effective January 1, 2016. For fiscal note purposes, Oversight will include a cost of more than six months (50% of full year cost) for FY 2016 and more than a full year cost including inflation for FY 2017 and FY 2018. Oversight will show cost for General Revenue, the 5 most affected State Funds (Conservation Commission, Park Sales Tax, Missouri Veterans Homes, State Highway and Transportation and State Fair Fee), Other State Funds which includes the Health Initiative Fund, the Mental Health Earnings Fund, the Veterans Commission Trust Fund, the State Road Fund, the Historic Preservation Revolving Fund, State Facilities Management and Operation Fund and the OA Revolving Administrative Fund and Federal Funds.

<u>Fund</u>	<u>Six Month Cost For Wages and Payroll Tax</u>	<u>Annual Cost for Wages and Payroll Tax</u>
General Revenue	\$180,065	\$360,130
Conservation Commission	\$393,080	\$786,160
Parks Sales Tax	\$329,255	\$658,510
Missouri Veterans Homes	\$47,296	\$94,593
State Highway and Transportation	\$39,799	\$79,597
State Fair Fee	\$16,595	\$33,190
Other state	\$7,171	\$14,341
Federal	\$52,589	\$105,177

In response to a similar version from 2014 (SB 531), officials from **Lincoln University** assumed this proposal would mean an approximate \$216,000 increase in wages paid to students per year.

In response to a similar version from 2014 (SB 531), officials from **Missouri Southern State University** stated that establishing a minimum wage floor of \$10.00 per hour would increase payroll costs at Missouri Southern State University by a minimum of \$35,000. Student help and Federal Work Study student workers would be impacted.

ASSUMPTION (continued)

In response to a similar version from 2014 (SB 531), officials from **Missouri State University** assume this proposal would result in increased costs to their organization but did not provide an estimate of the additional cost.

In response to a similar version from 2014 (SB 531), officials from **Missouri Western State University** assumed this proposal may have some impact due to the proposed minimum wage increase. The majority of fiscal impact would fall on the student group where most new hires start at the current minimum wage of \$7.35 (soon to be \$7.50).

In response to a similar version from 2014 (SB 531), officials from the **University of Central Missouri** estimated \$1.55 million annually in increased costs if this proposal was implemented.

University officials stated this proposal would affect full-time employees as well as student workers across the campus. Full-time wages and benefits would be impacted by \$180,000.

Student wages would be affected by \$1.47 million. This change would also affect students receiving Federal Financial Aid and the departments they work in. This change would mean that students receiving Financial Aid would receive their financial aid allotment in fewer hours worked resulting in as much as 25% fewer hours worked. Although not all hours are critical to the success of each department, a shortfall would cause certain departments to have to pay for additional work hours to meet their needs.

Finally, there would be indirect costs and consequences. This change would cause immediate staff salary compression issues by moving lower than \$10 per hour employees up against those already earning just over \$10 per hour. This would impact the overall university salary structure causing a ripple effect of salary and equity adjustments, especially those in the \$10-\$15 range. This would not be immediate but would occur over a period of time resulting in costs well above the initial fiscal impact quoted.

In response to a similar version from 2014 (SB 531), officials from the **University of Missouri** anticipated the cost of this proposal to their organization would be between \$6 million and \$12 million annually.

Oversight notes that in summary, responding colleges and universities assume a cost of \$6,431,000 (\$216,000 + \$35,000 + \$180,000 + \$6,000,000) to provide for the implementation of the changes in this proposal.

ASSUMPTION (continued)

In response to a similar version from 2014 (SB 531), officials from the **Metropolitan Community College** assumed this proposal would cost their organization approximately \$270,000 in the first full year it is effective.

In response to a similar version from 2014 (SB 531), officials from **St. Charles Community College** assumed this proposal would increase the cost to their organization for wages and benefits by \$60,000 annually.

Oversight received responses from several colleges and universities indicating significant additional cost, but not all colleges and universities were able to respond and provide a detailed cost estimate. Oversight assumes all colleges and universities would have a fiscal impact from this proposal and therefore will indicate a cost of more than \$3,215,500 (50% of full year cost) for FY 2016 and more than a full year cost including inflation for FY 2017 and FY 2018 for the additional cost to colleges and universities.

In response to a similar version from 2014 (SB 531), officials from the **City of Columbia** noted the statewide minimum wage would be increased to \$7.50 per hour based on existing provisions, and estimated that increasing the rate from \$7.50 to \$10.00 would increase costs to their organization by \$140,000 or more.

In response to a similar version from 2014 (SB 531), officials from the **City of Kansas City** stated there would be an increased cost to the City, but it would be minimal within the City's current salary costs. Currently, the only City employees who are paid below the proposed minimum wage are approximately 100 seasonal interns, and fewer than 25 part time and temporary employees. The cost to the City would therefore likely be well less than \$200,000.

In response to a similar version from 2014 (SB 531), officials from the **City of Sullivan** assumed the proposed minimum wage increase would increase their cost for temporary seasonal employees, ball field concession workers, and lifeguards in a combined amount \$22,835. This is a budgetary increase of over a 22%.

In response to a similar version from 2014 (SB 531), officials from **Francis Howell School District** assumed the cost to their organization for the first year of implementation for this proposal would be \$10,000.

In response to a similar version from 2014 (SB 531), officials from the **Jackson County Election Board** assumed this proposal would have no impact on their organization as they are currently paying that amount as their starting wage.

ASSUMPTION (continued)

In response to a similar version from 2014 (SB 531), officials from the **St. Louis County Director of Elections** assumed the proposal would exclude Election Day Poll Workers and stated there would be a negligible increase in pay for temporary office workers that assist the office during an election cycle.

Oversight notes that in summary, responding local governments assume a cost of \$702,835 (\$270,000 + \$60,000 + \$140,000 + \$200,000 + \$22,835 + \$10,000) to provide for the implementation of the changes in this proposal.

Oversight assumes most local governments would incur additional costs to implement this proposal; however, only a limited number of local governments provided information for this fiscal note. Accordingly, Oversight will indicate costs of more than \$351,418 (50% of full year cost) for FY 2016 and more than a full year cost including inflation for FY 2017 and FY 2018 for additional cost to local governments

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Cost - State agencies</u> Additional wages and benefits	(More than <u>\$180,065</u>)	(More than <u>\$363,731</u>)	(More than <u>\$367,369</u>)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	(More than <u>\$180,065</u>)	(More than <u>\$363,731</u>)	(More than <u>\$367,369</u>)
 CONSERVATION COMMISSION FUND			
<u>Cost - Department of Conservation</u> Additional wages and benefits	(More than <u>\$393,080</u>)	(More than <u>\$794,022</u>)	(More than <u>\$801,962</u>)
ESTIMATED NET EFFECT TO THE CONSERVATION COMMISSION FUND	(More than <u>\$393,080</u>)	(More than <u>\$794,022</u>)	(More than <u>\$801,962</u>)

<u>FISCAL IMPACT - State Government</u> (continued)	<u>FY 2016</u> (10 Mo)	<u>FY 2017</u>	<u>FY 2018</u>
PARKS SALES TAX			
<u>Cost - Department of Natural Resources</u> Additional wages and benefits	(More than <u>\$329,255</u>)	(More than <u>\$665,095</u>)	(More than <u>\$671,746</u>)
ESTIMATED NET EFFECT TO THE PARK SALES TAX	(More than <u>\$329,255</u>)	(More than <u>\$665,095</u>)	(More than <u>\$671,746</u>)
MISSOURI VETERANS HOMES			
<u>Cost - Department of Public Safety</u> Additional wages and benefits	(More than <u>\$47,296</u>)	(More than <u>\$95,539</u>)	(More than <u>\$96,494</u>)
ESTIMATED NET EFFECT TO THE MISSOURI VETERANS HOMES	(More than <u>\$47,296</u>)	(More than <u>\$95,539</u>)	(More than <u>\$96,494</u>)
STATE HIGHWAY AND TRANSPORTATION FUND			
<u>Cost - Department of Transportation</u> Additional wages and benefits	(More than <u>\$39,799</u>)	(More than <u>\$80,393</u>)	(More than <u>\$81,197</u>)
ESTIMATED NET EFFECT TO THE STATE HIGHWAY AND TRANSPORTATION FUND	(More than <u>\$39,799</u>)	(More than <u>\$80,393</u>)	(More than <u>\$81,197</u>)
STATE FAIR FEE			
<u>Cost - Department of Agriculture</u> Additional wages and benefits	(More than <u>\$16,595</u>)	(More than <u>\$33,522</u>)	(More than <u>\$33,857</u>)
ESTIMATED NET EFFECT ON THE STATE FAIR FEE	(More than <u>\$16,595</u>)	(More than <u>\$33,522</u>)	(More than <u>\$33,857</u>)

<u>FISCAL IMPACT - State Government</u> (continued)	<u>FY 2016</u> (10 Mo)	<u>FY 2017</u>	<u>FY 2018</u>
COLLEGES AND UNIVERSITIES			
<u>Cost - Colleges and universities</u> Additional wages and benefits	(More than <u>\$3,215,500</u>)	(More than <u>\$6,495,310</u>)	(More than <u>\$6,560,263</u>)
ESTIMATED NET EFFECT TO COLLEGES AND UNIVERSITIES	(More than <u>\$3,215,500</u>)	(More than <u>\$6,495,310</u>)	(More than <u>\$6,560,263</u>)
OTHER STATE FUNDS			
<u>Cost - State agencies</u> Additional wages and benefits	(More than <u>\$7,171</u>)	(More than <u>\$14,484</u>)	(More than <u>\$14,629</u>)
ESTIMATED NET EFFECT TO OTHER STATE FUNDS	(More than <u>\$7,171</u>)	(More than <u>\$14,484</u>)	(More than <u>\$14,629</u>)
OTHER FEDERAL FUNDS			
<u>Cost - State agencies</u> Additional wages and benefits	(More than <u>\$52,589</u>)	(More than <u>\$106,229</u>)	(More than <u>\$107,291</u>)
ESTIMATED NET EFFECT ON OTHER FEDERAL FUNDS	(More than <u>\$52,589</u>)	(More than <u>\$106,229</u>)	(More than <u>\$107,291</u>)
<u>FISCAL IMPACT - Local Government</u>	<u>FY 2016</u> (10 Mo.)	<u>FY 2017</u>	<u>FY 2018</u>
LOCAL GOVERNMENTS			
<u>Cost - Local governments</u> Additional wages and benefits	(More than <u>\$351,418</u>)	(More than <u>\$709,863</u>)	(More than <u>\$716,962</u>)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	(More than <u>\$351,418</u>)	(More than <u>\$709,863</u>)	(More than <u>\$716,962</u>)

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses, which would incur additional costs for wages and benefits to workers currently paid the statewide minimum wage.

FISCAL DESCRIPTION

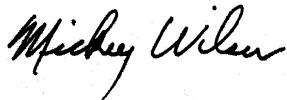
Beginning January 1, 2016, this act raises the minimum wage from \$7.65 to \$10.00.

The act specifies that the cost of living adjustment applies each year regardless of whether the statutory minimum or federal minimum is used.

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

Department of Labor and Industrial Relations
Office of Administration
 Division of Budget and Planning
 Division of Accounting
Department of Transportation
Missouri Department of Conservation
Office of the Secretary of State
Joint Committee on Administrative Rules



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