

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4031-01  
Bill No.: SB 680  
Subject: Employee-Employers; Department of Labor and Industrial Relations  
Type: Original  
Date: February 27, 2018

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Bill Summary: This proposal modifies provisions relating to the minimum wage.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	(\$307,547)	(\$376,226)	(\$309,707)
<b>Total Estimated Net Effect on General Revenue*</b>	<b>(\$307,547)</b>	<b>(\$376,226)</b>	<b>(\$309,707)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Various State Funds	(\$132,317)	(\$487,153)	(\$1,046,021)
<b>Total Estimated Net Effect on <u>Other</u> State Funds*</b>	<b>(\$132,317)</b>	<b>(\$487,153)</b>	<b>(\$1,046,021)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 13 pages.

\*Numbers provided by Office of Administration are not cumulative.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
Federal Funds	(\$23,066)	(\$37,874)	(\$44,165)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds*</b>	<b>(\$23,066)</b>	<b>(\$37,874)</b>	<b>(\$44,165)</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Department of Elementary and Secondary Education, Department of Social Services, Department of Natural Resources, Department of Insurance, Financial Institutions and Professional Registration, Office of Administration-Budget and Planning, Department of Corrections, Department of Revenue, Department of Health and Senior Services, Department of Mental Health, Department of Public Safety-Office of the Director, Department of Public Safety-Capitol Police, Department of Public Safety-Veterans, Department of Public Safety-Division of Alcohol and Tobacco Control, and Department of Public Safety-Gaming Commission** each defer to the Office of Administration to estimate the fiscal impact of the proposed legislation on their respective organization.

Officials from the **Office of Administration-Personnel (OA-Personnel)** have calculated the cost to the state of increasing the wages of all current state employees at a tiered rate as outlined in 290.502.2 of this proposed legislation. It was determined that 295 employees would need to have their salaries increased as a result of this legislation. The cost was broken down between State General Revenue, State Other, and Federal Funding. The cost will affect FY 2019 by half of the fiscal year, and the full impact will be realized in FY2020.

	FY 2019	FY 2020	FY 2021
<b>General Revenue</b>			
Personal Service	(\$237,122)	(\$290,074)	(\$238,787)
Fringe Benefits	(\$70,425)	(\$86,152)	(\$70,920)
<b>Total General Revenue</b>	<b>(\$307,547)</b>	<b>(\$376,226)</b>	<b>(\$309,707)</b>
<b>Other State Funds</b>			
Personal Service	(\$102,018)	(\$375,600)	(\$806,493)
Fringe Benefits	(\$30,299)	(\$111,553)	(\$239,528)
<b>Total Other State Funds</b>	<b>(\$132,317)</b>	<b>(\$487,153)</b>	<b>(\$1,046,021)</b>
<b>Federal Funds</b>			
Personal Service	(\$17,784)	(\$29,201)	(\$34,052)
Fringe Benefits	(\$5,282)	(\$8,673)	(\$10,113)
<b>Total Federal Funds</b>	<b>(\$23,066)</b>	<b>(\$37,874)</b>	<b>(\$44,165)</b>

ASSUMPTION (continued)

**Oversight** notes that Office of Administration calculations are not cumulative. Oversight is unable to test the data provided by Office of Administration. Therefore, we will use their estimates for the purpose of this fiscal note.

Officials from the **Department of Transportation (MODOT)** assume the proposal would have an insignificant negative impact on their organization. In years one and two, the proposal would have no impact, but in years three and four, the negative impact would be somewhere between \$7,000 and \$15,000.

Officials from the **Missouri Department of Conservation (MDC)** assumes the proposal will have a negative fiscal impact on MDC funds more than \$100,000 annually due to the increase costs for wages.

Officials from the **Office of State Courts Administrator** assume the proposal may have some fiscal impact but there is no way to quantify that currently. Any significant changes will be reflected in future budget requests.

Officials from the **Attorney General's Office** assume that any potential costs arising from this proposal can be absorbed with existing resources. Attorney General's Office may seek additional appropriations if there is a significant increase in litigation.

Officials from the **Department of Public Safety-Missouri State Highway Patrol** assume the proposal will have no fiscal impact on their organization. The Patrol does not employ at less than \$9.00 per hour. However, there would be a substantial future fiscal impact if the hourly rate-of-pay increased annually.

Officials from the **State Auditor's Office** assume the proposal will have no fiscal impact on their organization. Any impact can be absorbed through current appropriations.

Officials from the **Office of Prosecution Services** assume the proposal will have no measurable fiscal impact on their respective organizations.

Officials from the **MoDOT and Patrol Employees Retirement System** assume implementation of the proposal is expected to have indeterminable but minimal fiscal impact on their organization.

Officials from the **Missouri Lieutenant Governor** assume the proposal will have a negative fiscal impact on their organization.

ASSUMPTION (continued)

Officials from the **City of Springfield** assume the proposal will have a negative fiscal impact on their organization. The impact is unquantifiable without knowing the number of employees, seasonal employees, and temporary employees who would be affected by the change, however, the loss is likely more than \$100,000.

Officials from the **City of St. Louis** assume passage of this proposal would increase the costs of salaries of City employees (both full and part-time) that would otherwise not be earning the wage at the level specified in the proposed legislation. The figure below shows the proposed cost to the City for half of fiscal year 2019 and all of fiscal years 2020, 2021 and 2022. For these purposes, current employee wages are assumed to increase in accordance with existing employee pay plan provisions through FY2018. The proposed legislation could also impact City revenues both positively and negatively. Should the total wage base rise, employer-based earnings and payroll taxes will increase accordingly. Likewise, any job losses that can be attributed to the wage increase will result in a decline in employer-based and other tax revenues. The net impact of the changes in City workforce and wage base that would result from the proposed legislation is indeterminate at this time.

This legislation would also tie future changes in the minimum wage to changes in the Consumer Price Index. The net impact of these changes cannot be determined at this time.

	<b>Cost to increase min wage to \$10/hour 1/1/2020</b>	<b>Cost to increase min wage to \$11/hour 1/1/2021</b>	<b>FY 2019 Cost to increase min wage to \$9/hour 1/1/19</b>
<b>General Fund</b>			
Full Time (1)	\$1,755.90	\$5,735.00	\$7,983.60
Per Performance & Part Time (2)	\$246.60	\$370.70	\$32,887.90
<b>Total</b>	<b>\$2,002.50</b>	<b>\$6,105.70</b>	<b>\$40,871.20</b>
<b>Special &amp; Other Funds</b>			
Full Time (1)	\$0	\$0	\$0
Per Performance & Part Time (2)	\$3,592.70	\$230,323.60	\$445,849.20
<b>Total</b>	<b>\$3,592.70</b>	<b>\$230,323.60</b>	<b>\$445,849.20</b>

ASSUMPTION (continued)

- 1) Includes increase in salaries plus fringe benefits (FICA, ERS contribution, life insurance and long-term disability)
- 2) Includes increase in salaries plus FICA costs

Officials from the **State Technical College of Missouri** assume the proposal would have a fiscal impact of approximately \$38,000 in additional costs.

Officials from the **Shell Knob School District** assume the proposal might eventually cost the district money. They currently pay all employees over \$10 an hour.

Officials from the **Macon County R-IV School District** assume the proposal will have no fiscal impact in FY19 since there are no current hourly employees working under \$9.00/hour. They estimate by FY20 , if current employees are retained, that the cost would remain \$0. In FY21, given all current hourly employees are retained, that the cost would be \$5,950.

Officials from the **University of Central Missouri** assume the proposal will have significant fiscal impact, the exact or estimated amount of which is not easily determined. However, in the case of FPO alone, where there are approximately 200 employees paid below the proposed wage tables, they would have to adjust the base pay of all workers in accordance with this scale which could fluctuate depending on active employee count at the time of the change.

Officials from the **Missouri State University** assume the proposal will have a negative fiscal impact of an undetermined amount.

Officials from the **University of Missouri** assume based on the review the University would realize a cost of \$20-22 million between 1/1/2019 and 12/31/2022, with a possible additional cost of up to \$78 thousand when taking into account incremental additional overtime costs.

Costs incurred beginning 1/1/2023 are to be based upon increase/decrease of cost of living, based on specific comparisons of the Consumer Price Index, published by the US Department of Labor. There may be a fiscal impact for UM System based on those figures, which won't be available until September 30th of the preceding year. There are too many variables involved to predict those figures with any accuracy and be able to determine a reasonable estimate of the potential cost for you at this time.

Officials from the **Summersville R2 School District** assume the proposal has no known fiscal impact on their organization.

ASSUMPTION (continued)

**Oversight** assumes that Officials from the Office of Administration-Personnel have calculated the cost to the state of increasing the wages of all current state employees at a tiered rate as outlined in 290.502.2 of this proposal. For the purposes of this fiscal note, the costs will be reflected based on Office of Administration Personnel's assumption to the State General Revenue Fund, Other State Funds, and the Federal Fund.

**Oversight** notes that there will be an increase to all employees that currently make less than the proposed tiered rate outlined as a result of this proposal. Therefore, Oversight will reflect an unknown cost to Local Political subdivisions since we are unable to estimate the number of employees this will affect.

Officials from the **Department of Labor and Industrial Relations, Office of Administration-Administrative Hearing Commission, Office of Administration-Accounting, Missouri Tax Commission, Missouri Lottery Commission, Department of Public Safety-Division of Fire Safety, Joint Committee on Administrative Rules, Missouri Consolidated Health Care Plan, Office of the State Public Defender, Missouri Ethics Commission, Missouri Senate, Department of Public Safety-State Emergency Management Agency, Missouri House of Representatives, Office of the State Treasurer, Office of the Secretary of State, Office of the Governor, Department of Higher Education, and Department of Economic Development** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Jackson County Board of Election Commissioners, St. Louis County Board of Election Commissioners, Boone County, and City of Kansas City** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Kirkville R-III School District and West Plains Schools** both assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Missouri Western State University** assume the proposal will have no fiscal impact on their organization.

Officials from the following **cities**: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark City, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, St. Charles City Administrator, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request

ASSUMPTION (continued)

for fiscal impact.

Officials from the following **counties**: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Clinton, Cole, Cooper, Davies, Dekalb, Dent, Franklin, Greene, Holt, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne, and Worth did not respond to **Oversight's** request for fiscal impact.

Officials from the following **colleges and universities**: Crowder, East Central, Harris-Stowe, Jefferson College, Kansas City Metropolitan Community College, Lincoln University, Moberly Area Community College, Missouri Southern State University, Northwest Missouri State University, Southeast Missouri State University, State Fair Community College, St. Charles Community College, St. Louis Community College, Three Rivers Community College, and Truman State University did not respond to **Oversight's** request for a statement of fiscal impact.

Officials from the following **school districts**: Alton R-IV, Arcadia Valley R-2, Ash Grove R-IV, Ava R-1, Avilla R-13, Bakersfield R-4, Belton School District #124, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Bradleyville R-1, Branson, Brentwood, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Central R-III, Chilhowee R-4, Chillicothe R-II, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Couch R-1, Crawford County R-1, Crawford County R-2, Crocker R-II, Delta C-7, East Carter R-2, East Lynne 40, East Newton R-6, Eldon R-I, Fair Play, Fayette R-3, Forsyth R-3, Fox C-6, Fredericktown R-I, Fulton, Gasconade County R-1, Glenwood R-8, Grain Valley, Green City R-1, Green Ridge R-8, Hallsville R-IV, Hancock Place, Hannibal School District #60, Harrisonburg R-8, Harrisonville, Hartville R-11, Hazelwood, Henry County R-1, Hillsboro R-3, Holcomb R-III, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jasper R-5, Jefferson City, Kansas City, Kennett #39, King City R-1, Kirbyville R-VI, Lathrop R-2, Lee Summit, Leeton R-10, Lewis County C-1, Liberty, Lincoln R-2, Lindbergh, Lonedell R-14, Macon County R-1, Madison C-3, Malta Bend, Maplewood Richmond Heights, Marshfield R-1, Maryville R-II, Maysville R-1, Meadville R-IV, Mehville School District R-9, Meramec Valley R-3, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Miller R-11, Moberly, Montgomery County R-11, Morgan County R-2, Mountain Grove R-III, Mt. Vernon R-V, New Bloomfield R-III, New Haven, Niangua R-5, Nixa, North Harrison R-3, North Kansas City, North St. Francois Co. R-1, Northeast Nodaway R-5, Northwest R-1, Oak Ridge R-6, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County, Osage R-2, Osborn R-O, Parkway, Pattonville, Pettis County R-12, Pierce City R-6, Plato R-5, Polo R-VII, Prairie Home R-5, Princeton R-5, Purdy R-II, Raymore-



ASSUMPTION (continued)

Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Republic R-III, Rich Hill R-IV, Richards R-5, Richland R-1, Richmond R-XVI, Riverview Gardens, Rockwood School District, Salisbury R-4, Sarcoxie R-2, Scotland County R-I, Scott City R-1, Sedalia, Seymour R-2, Sherwood Cass R-5, Sikeston, Silex, Smithville R-2, South Harrison R-11, Southland C-9, Sparta R-III, Special School District of St. Louis County, Spickard R-II, Spokane R-VII, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Stanberry R-III, Stewartville C-2, Sullivan, Sweet Springs, Trenton R-1x, Valley Park, Valley R-6, Verona R-7, Warren County R-3, Warrensburg R-6, Warsaw R-IX, Waynesville, Webster Groves, Wellsville Middletown R-1, Wentzville R-IV, Westran R-1, Westview C-6, Willard R-2 and the Wright City R-2 School District did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (6 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE FUND</b>			
<u>Cost - OA-Personnel - increased</u>			
minimum wage			
Salaries	(\$237,122)	(\$290,074)	(\$238,787)
Fringe Benefits	<u>(\$70,425)</u>	<u>(\$86,152)</u>	<u>(\$70,920)</u>
<u>Total Cost - OA-Personnel</u>	<u>(\$307,547)</u>	<u>(\$376,226)</u>	<u>(\$309,707)</u>
<b>ESTIMATED NET EFFECT ON</b>	<b><u>(\$307,547)</u></b>	<b><u>(\$376,226)</u></b>	<b><u>(\$309,707)</u></b>
<b>GENERAL REVENUE FUND*</b>			
<b>VARIOUS STATE FUNDS</b>			
<u>Cost - OA-Personnel - increased</u>			
minimum wage			
Salaries	(\$102,018)	(\$375,600)	(\$806,493)
Fringe Benefits	<u>(\$30,299)</u>	<u>(\$111,553)</u>	<u>(\$239,528)</u>
<u>Total Cost - OA-Personnel</u>	<u>(\$132,317)</u>	<u>(\$487,153)</u>	<u>(\$1,046,021)</u>
<b>ESTIMATED NET EFFECT ON</b>	<b><u>(\$132,317)</u></b>	<b><u>(\$487,153)</u></b>	<b><u>(\$1,046,021)</u></b>
<b>VARIOUS STATE FUNDS*</b>			
<b>FEDERAL FUND</b>			
<u>Cost - OA-Personnel - increased</u>			
minimum wage			
Salaries	(\$17,784)	(\$29,201)	(\$34,052)
Fringe Benefits	<u>(\$5,282)</u>	<u>(\$8,673)</u>	<u>(\$10,113)</u>
<u>Total Cost - OA-Personnel</u>	<u>(\$23,066)</u>	<u>(\$37,874)</u>	<u>(\$44,165)</u>
<b>ESTIMATED NET EFFECT ON</b>	<b><u>(\$23,066)</u></b>	<b><u>(\$37,874)</u></b>	<b><u>(\$44,165)</u></b>
<b>FEDERAL FUND*</b>			

\*Numbers provided by Office of Administration are not cumulative.

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (6 Mo.)	FY 2020	FY 2021
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Cost</u> - increased minimum wage	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

FISCAL IMPACT - Small Business

Small businesses would have higher labor costs as a result of this proposal.

FISCAL DESCRIPTION

Under current law, the minimum wage rate is \$7.70 per hour. This proposal increases the rate to \$9.00 per hour beginning January 1, 2019, \$10.00 per hour beginning January 1, 2020, \$11.00 per hour beginning January 1, 2021, and \$12.00 per hour beginning January 1, 2022. After the 2022 increase, the minimum wage will increase or decrease annually based on the Consumer Price Index for Urban Wage Earners and Clerical Workers.

Current law provides that any individual employed by a retail or service business whose annual gross volume sales made or business done is less than \$500,000 is exempt from the minimum wage requirements. This proposal modifies that provision by inserting an annual adjustment to the \$500,000 threshold based upon the mean percentage share of the gross state product held by the arts, entertainment, and recreation industry and the accommodation and food services industry, as such information is published through the Department of Economic Development.

This proposal further exempts employers employing less than fifteen employees during each calendar week within the current calendar year and the previous calendar year from the minimum wage requirements.

Under current law, any employer which violates the minimum wage laws is liable to the affected employee for the full amount of the wage rate plus an additional equal amount as liquidated damages. This proposal modifies the amount of liquidated damages to be equal to twice the amount of unpaid wages.

Under current law, the statute of limitations for bringing an action to collect deficient wages is two years. This proposal extends that to three years.

FISCAL DESCRIPTION (continued)

This act is effective beginning January 1, 2019.

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 Elementary and Secondary Education  
Department of Social Services  
Department of Natural Resources  
Department of Insurance, Financial Institutions and Professional Registration  
Office of Administration-Budget and Planning  
Department of Corrections  
Department of Revenue  
Department of Health and Senior Services  
Department of Mental Health  
Department of Public Safety-Office of the Director  
Department of Public Safety-Capitol Police  
Department of Public Safety-Veterans  
Department of Public Safety-Division of Alcohol and Tobacco Control  
Department of Public Safety-Gaming Commission  
Office of Administration-Personnel  
Department of Transportation  
Missouri Department of Conservation  
Office of State Courts Administrator  
Attorney General's Office  
Department of Public Safety-Missouri State Highway Patrol  
State Auditor's Office  
Office of Prosecution Services  
MoDOT and Patrol Employees Retirement System  
Missouri Lieutenant Governor  
City of Springfield  
City of St. Louis  
State Technical College of Missouri  
Shell Knob School District #78  
Macon County R-IV School District  
University of Central Missouri  
Missouri State University

SOURCES OF INFORMATION (continued)

University of Missouri  
Summersville R2 School District  
Department of Labor and Industrial Relations  
Office of Administration-Administrative Hearing Commission  
Office of Administration-Accounting  
Missouri Tax Commission  
Missouri Lottery Commission  
Department of Public Safety-Division of Fire Safety  
Joint Committee on Administrative Rules  
Missouri Consolidated Health Care Plan  
Office of the State Public Defender  
Missouri Ethics Commission  
Missouri Senate  
Department of Public Safety-State Emergency Management Agency  
Missouri House of Representatives  
Office of the State Treasurer  
Office of the Secretary of State  
Office of the Governor  
Department of Higher Education  
Department of Economic Development  
Jackson County Board of Election Commissioners  
St. Louis County Board of Election Commissioner  
Boone County  
City of Kansas City  
Kirksville R-III School District  
West Plains Schools  
Missouri Western State University

Ross Strope



Acting Director  
February 27, 2018