

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4785-01
Bill No.: SB 637
Subject: Employees-Employers; Department of Labor and Industrial Relations; Labor and Management
Type: Original
Date: February 26, 2018

Bill Summary: This proposal modifies the minimum wage laws.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	(\$26,789,763)	(\$53,579,527)	(\$53,579,527)
Total Estimated Net Effect on General Revenue	(\$26,789,763)	(\$53,579,527)	(\$53,579,527)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Various State Funds	(\$12,866,143)	(\$25,732,287)	(\$25,732,287)
Total Estimated Net Effect on Other State Funds	(\$12,866,143)	(\$25,732,287)	(\$25,732,287)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Federal Funds	(\$6,589,878)	(\$13,179,756)	(\$13,179,756)
Total Estimated Net Effect on <u>All</u> Federal Funds	(\$6,589,878)	(\$13,179,756)	(\$13,179,756)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	(Unknown - Substantial Costs)	(Unknown - Substantial Costs)	(Unknown - Substantial Costs)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **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, Department of Elementary and Secondary Education, Department of Natural Resources, Department of Insurance, Financial Institutions and Professional Registration, Department of Social Services, Department of Corrections, Department of Revenue, Department of Health and Senior Services, Office of Administration-Budget and Planning, and Department of Mental Health** 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** have calculated the cost to the state of increasing the wages of all current state employees making less than \$15.00 per hour to \$15.00 per hour. Office of Administration-Personnel assumes no impact on any employee or position currently receiving \$15.00 per hour or more. The costs were broken down between State General Revenue, State Other, and Federal Funding. The cost will affect FY19 by half of the fiscal year, and the full impact will be realized in FY20.

	FY 2019	FY 2020	FY 2021
General Revenue			
Personal Service (19,276 FTE)	(\$20,655,176)	(\$41,310,352)	(\$41,310,352)
Fringe Benefits	(\$6,134,587)	(\$12,269,175)	(\$12,269,175)
Total General Revenue	(\$26,789,763)	(\$53,579,527)	(\$53,579,527)
Other State Funds			
Personal Service	(\$9,919,925)	(\$19,839,851)	(\$19,839,851)
Fringe Benefits	(\$2,946,218)	(\$5,892,436)	(\$5,892,436)
Total Other State Funds	(\$12,866,143)	(\$25,732,287)	(\$25,732,287)
Federal Funds			
Personal Service	(\$5,080,862)	(\$10,161,724)	(\$10,161,724)
Fringe Benefits	(\$1,509,016)	(\$3,018,032)	(\$3,018,032)
Total Federal Funds	(\$6,589,878)	(\$13,179,756)	(\$13,179,756)

Source: Office of Administration

ASSUMPTION (continued)

Officials from the **Office of Administration-Administrative Hearing Commission (OA-AHC)** used a simple methodology to determine the increase in salary needed based on the state's standard 2,080 hour work week. OA-AHC simply calculated the annual salary of an employee earning \$15.00/hour and subtracted the current annual salary of our single employee earning less than \$15.00/hour to determine the increase in pay.

In a 2,080 hour work year, an employee earning the \$15.00/hour will earn \$31,200.00. OA-AHC projected that one employee, who currently earns \$1,151 on a semi-monthly basis, will earn approximately \$27,624.00 a year. The difference between those two figures is \$3,576.00.

Officials from the **Department of Agriculture** employs some part-time workers (i.e. Plant Industries Workers, Grain Inspection Workers, Fair Week Employees, Seasonal Fair Workers) that make less than \$15/hour. The difference between the amount they actually earned in FY16, and the amount they would have earned if they had been paid \$15/hour is an estimated cost of \$441,906 for FY19, \$535,590 in FY20, and \$540,946 in FY21.

Officials from the **Missouri Lottery Commission** estimates this proposal would cost \$41,311, \$97,099 and \$113,753 in FY 2019, 2020 and 2021, respectively. These estimates were arrived at by increasing actual hourly rates to \$15, \$15.30 and \$15.60 (assuming of living adjustments of 2% per year) in FY 2019, 2020 and 2021, respectively.

Officials from the **Department of Economic Development-Personal Services** assume changes to Section 290.502 would increase the expenses by increasing wages for five positions (four positions paid from the Public Service Commission (PSC) Fund 0607 and one position paid from the Manufactured Housing (MH) Fund 0582). The increase in pay will also affect some corresponding fringe benefits. The increase cost to the Public Service Commission Fund would be \$3,153 (salary \$2,320; fringe benefit \$833) in FY19, \$3,647 (salary \$2,812; fringe benefit \$835) in FY20, and \$3,683 (salary \$2,840; fringe benefit \$843) in FY21. The increase cost to the Manufactured Housing Fund would be \$629 (salary \$464; fringe benefit \$165) in FY19, \$729 (salary \$562; fringe benefit \$167) in FY20, and \$737 (salary \$568; fringe benefit \$169) in FY21.

Officials from the **Department of Economic Development-Human Resources** assumes the proposal amends 290.502 such that the minimum wage shall be no less than \$15.00/hour beginning 1-1-19. Then, beginning 1-1-2020, the amount will be increased or decreased by the cost of living.

This will impact 25 current DED employees with a total annual cost of \$78,490 for FY19, FY20, and FY21 to the General Revenue Fund.

ASSUMPTION (continued)

Officials from the **Office of the State Treasurer (STO)** assume no new employees would be hired as a result of this bill, but some employees' pay would be increased. The STO translated the per hour requirement into a year-long salary. This number was compared against current employees' salaries to determine which employees would be impacted. The increased funds required to bring those employees' salary into compliance with this bill was then summed to get the fiscal impact to the STO. The estimated cost to the STO Operating Fund would be \$50,997 in FY19, \$95,971 in FY20, and \$96,827 in FY21.

Officials from the **Department of Transportation** assume this proposal would raise the minimum wage to \$15 per hour. Fiscal impact response from last year that this bill would have a negative fiscal impact estimated at \$216.2 million annually for both Personal Services and Fringe Benefits. This cost includes both adjustments for employees under the new minimum wage and adjustments for resulting salary compression. The estimated cost to the State Road Fund would be \$216.2 million in FY19, FY20, and FY21.

Officials from the **Missouri Department of Conservation (MCHCP)** assume Section 290.502 could potentially have an unknown negative fiscal impact but likely more than \$100,000 due to increase costs for wages.

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** assume this proposal would impact the rate of pay of 4 MCHCP employees and would result in a \$17,500 increase to personal services budget due to higher wages. The increase in salary would also have a related increase to associated employer fringe benefit costs.

Officials from the **Office of the State Public Defender** employees 88 persons who are currently making a salary of less than \$15. 2,080 hours for a full-time employee * %15 = \$31,200. To increase just these salaries to a minimum of \$15 would come close to \$400,000. This figure does not address the compression in the pay scales that would follow such an adjustment.

FY2018 MSPD Personnel Less than \$15 Per Hour or \$31,200 From January 8, 2018 Pay Model			
Support Staff	FTE	FY2018 \$'s	Cost to Increase to \$15/Hour
Office Support Assistant I	14.00	\$24,442	\$94,612
Office Support Assistant II	8.00	\$26,497	\$37,624
Office Support Assistant III	10.00	\$28,668	\$25,320
Administrative Assistant I	14.00	\$28,260	\$41,160
Legal Assistant I	24.00	\$26,464	\$113,664
Legal Assistant II	16.00	\$28,668	\$40,512
Investigator I	2.00	\$30,576	\$1,248
	88.00		\$354,140

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 **State Auditor's Office** assume any fiscal 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 organization.

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

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 St. Louis** assume passage of this legislation 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; the full impact would not be felt until the following fiscal year. 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.

City of St. Louis estimates a cost to their General Fund in FY19 of \$1,082,423.30 and a cost to Other Funds in FY19 to be \$807,157.30

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

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 making less than \$15.00 per hour. 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 \$15.00 per hour 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 **Office of Administration-Accounting, Department of Public Safety-State Emergency Management Agency, Office of the Secretary of State, Department of Labor and Industrial Relations, Joint Committee on Administrative Rules, Missouri Tax Commission, Missouri Ethics Commission, Missouri Senate, Missouri House of Representatives, Office of the Governor, Department of Higher Education, and Missouri**

ASSUMPTION (continued)

State Employees' Retirement System 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 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, Springfield, St. Charles City Administrator, St. Louis City Budget Division, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request 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, Jackson, 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, Missouri Western State, Missouri State University, Northwest Missouri State University, Southeast Missouri State University, State Fair Community College, St. Charles Community College, State Technical College of Missouri, St. Louis Community College, Three Rivers Community College, Truman State University, the University of Central Missouri and the University of Missouri 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,

ASSUMPTION (continued)

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, Kirksville, Lathrop R-2, Lee Summit, Leeton R-10, Lewis County C-1, Liberty, Lincoln R-2, Lindbergh, Lonedell R-14, Macon County R-1, Macon County R-IV, 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-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, Shell Knob #78, 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, Stewartsville C-2, Sullivan, Summersville R-2, 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, West Plains R-VII, 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
GENERAL REVENUE FUND			
<u>Cost - OA-Personnel - increased</u>			
minimum wage			
Salaries	(\$20,655,176)	(\$41,310,352)	(\$41,310,352)
Fringe Benefits	<u>(\$6,134,587)</u>	<u>(\$12,269,175)</u>	<u>(\$12,269,175)</u>
<u>Total Cost - OA-Personnel</u>	<u>(\$26,789,763)</u>	<u>(\$53,579,527)</u>	<u>(\$53,579,527)</u>
ESTIMATED NET EFFECT ON	<u>(\$26,789,763)</u>	<u>(\$53,579,527)</u>	<u>(\$53,579,527)</u>
GENERAL REVENUE FUND			
VARIOUS STATE FUNDS			
<u>Cost - OA-Personnel - increased</u>			
minimum wage			
Salaries	(\$9,919,925)	(\$19,839,851)	(\$19,839,851)
Fringe Benefits	<u>(\$2,946,218)</u>	<u>(\$5,892,436)</u>	<u>(\$5,892,436)</u>
<u>Total Cost - OA-Personnel</u>	<u>(\$12,866,143)</u>	<u>(\$25,732,287)</u>	<u>(\$25,732,287)</u>
ESTIMATED NET EFFECT ON	<u>(\$12,866,143)</u>	<u>(\$25,732,287)</u>	<u>(\$25,732,287)</u>
VARIOUS STATE FUNDS			
FEDERAL FUND			
<u>Cost - OA-Personnel - increased</u>			
minimum wage			
Salaries	(\$5,080,862)	(\$10,161,724)	(\$10,161,724)
Fringe Benefits	<u>(\$1,509,016)</u>	<u>(\$3,018,032)</u>	<u>(\$3,018,032)</u>
<u>Total Cost - OA-Personnel</u>	<u>(\$6,589,878)</u>	<u>(\$13,179,756)</u>	<u>(\$13,179,756)</u>
ESTIMATED NET EFFECT ON	<u>(\$6,589,878)</u>	<u>(\$13,179,756)</u>	<u>(\$13,179,756)</u>
FEDERAL FUND			

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

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Beginning January 1, 2019, this proposal raises the minimum wage from \$7.70 to \$15.00.

The proposal 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 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
Department of Elementary and Secondary Education
Department of Natural Resources
Department of Insurance, Financial Institutions and Professional Registration
Department of Social Services
Department of Corrections
Department of Revenue
Department of Health and Senior Services
Office of Administration-Budget and Planning
Department of Mental Health
Office of Administration-Personnel
Office of Administration-Administrative Hearing Commission
Department of Agriculture
Missouri Lottery Commission
Department of Economic Development
Office of the State Treasurer
Department of Transportation
Missouri Department of Conservation
Missouri Consolidated Health Care Plan
Office of the State Public Defender
Attorney General's Office
State Auditor's Office
Office of Prosecution Services
Office of State Courts Administrator
MoDOT and Patrol Employees Retirement System
Missouri Lieutenant Governor
City of St. Louis
City of Springfield
Office of Administration-Accounting
Department of Public Safety-State Emergency Management Agency
Office of the Secretary of State
Department of Labor and Industrial Relations
Joint Committee on Administrative Rules
Missouri Tax Commission
Missouri Ethics Commission

SOURCES OF INFORMATION (continued)

Missouri Senate
Missouri House of Representatives
Office of the Governor
Department of Higher Education
Missouri State Employees' Retirement System
Jackson County Board of Election Commissioners
St. Louis County Board of Elections
Boone County
City of Kansas City

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

Acting Director
February 26, 2018