

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5225-02  
Bill No.: SB 801  
Subject: Employees-Employers; Department of Labor and Industrial Relations  
Type: Original  
Date: February 27, 2018

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Bill Summary: This proposal modifies minimum wage law.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
General Revenue Fund	(\$278,194)	(\$114,673)	(\$124,643)
<b>Total Estimated Net Effect on General Revenue*</b>	<b>(\$278,194)</b>	<b>(\$114,673)</b>	<b>(\$124,643)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
Various State Funds	(\$52,606)	(\$410,467)	(\$688,525)
<b>Total Estimated Net Effect on <u>Other</u> State Funds*</b>	<b>(\$52,606)</b>	<b>(\$410,467)</b>	<b>(\$688,525)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 12 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	(\$16,591)	(\$24,736)	(\$24,782)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds*</b>	<b>(\$16,591)</b>	<b>(\$24,736)</b>	<b>(\$24,782)</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, Office of Administration-Budget and Planning, Department of Public Safety-Gaming Commission, Department of Social Services, Department of Public Safety-Veterans, Department of Public Safety-Division of Alcohol and Tobacco Control, Department of Natural Resources, Department of Insurance, Financial Institutions and Professional Registration, Department of Public Safety-Capitol Police, Department of Public Safety-Office of the Director, Department of Corrections, Department of Revenue, Department of Health and Senior Services, 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 at a tiered rate as outlined in 290.502.3 of this proposed legislation. The cost was broken down between State General Revenue, State Other, and Federal Funding. The cost will affect FY 19 by half of the fiscal year, and the full impact will be realized in FY20 and FY21.

	FY 2019	FY 2020	FY 2021
<b>General Revenue</b>			
Personal Service	(\$214,490)	(\$88,414)	(\$96,101)
Fringe Benefits	(\$63,704)	(\$26,259)	(\$28,542)
<b>Total General Revenue</b>	<b>(\$278,194)</b>	<b>(\$114,673)</b>	<b>(\$124,643)</b>
<b>Other State Funds</b>			
Personal Service		(\$316,474)	(\$530,860)
Fringe Benefits	(\$12,046)	(\$93,993)	(\$157,665)
<b>Total Other State Funds</b>	<b>(\$52,606)</b>	<b>(\$410,467)</b>	<b>(\$688,525)</b>
<b>Federal Funds</b>			
Personal Service	(\$12,792)	(\$19,072)	(\$19,107)
Fringe Benefits	(\$3,799)	(\$5,664)	(\$5,675)
<b>Total Federal Funds</b>	<b>(\$16,591)</b>	<b>(\$24,736)</b>	<b>(\$24,782)</b>

Source: Office of Administration

**ASSUMPTION (continued)**

**Oversight** notes that Office of Administration's 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 Agriculture** employs only one employee classification (i.e. Fair Week Employees) that would be affected by the minimum wage increases in FY19 - FY21. However, by the time the minimum wage increases reach \$12/hour in FY23, two different classes are affected by the increase (Fair Week Employees and Seasonal Fair Workers). The difference between the amount they actually earned in FY17, and the amount they would earn in FY24 if they are paid \$12/hour is:

Fair Week Employee:	\$ 182,518	for	21.56	FTE
Seasonal Fair Worker:	\$ 46,782	for	9.49	FTE
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Total increase in FY24:	\$ 229,300	for	31.05	FTE

Note: The 1-1-23 increase to \$12/hour would not affect the State Fair until FY24 because the State Fair part-time employees wouldn't begin working until after July 1, 2023 (the State Fair is held in August of each year).

Officials from the **Department of Transportation** assume the proposal will have a negative fiscal impact of less than \$100,000 per year.

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

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 the proposal should have no fiscal impact. 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.

ASSUMPTION (continued)

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 fiscal impact on their organization.

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 proposed cost to the City for half of FY19 is \$12,321.50, for FY20 is \$152,883.40, and for FY21 is \$297,291.20. 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.

Officials from the **City of Springfield** assume the proposal could have a potential negative fiscal impact. The impact is likely more than \$100,000.

Officials from the **University of Central Missouri** assume with the exception of student workers and potentially temporary workers, this note has no fiscal impact until the 2nd scheduled increase- at which time the minimum wage rate will be greater than what they pay some of the staff in facilities. At that point, the impact could be significant based on the turnover and number of employees at the \$10-10.30 per hour rate.

Student employee numbers fluctuate from semester to semester. Additional research would be needed to evaluate source and type of student (Fed work study, etc), status (freshman, transfer, grad, etc) and potential for continued employment before the true fiscal impact could be

ASSUMPTION (continued)

determined.

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

Officials from the **University of Missouri (UM)** assume they would realize a cost of \$20-22 million between 1/1/2019 and 12/31/2023, with a possible additional cost of up to \$66 thousand when taking into account incremental additional overtime costs.

Costs incurred beginning 1/1/2024 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 at this time.

Officials from the **State Technical College of Missouri** assume the proposal will have an unknown fiscal impact on their organization.

Officials from the **Missouri Western State University** assume the proposal will have a significant negative fiscal impact on their organization. They employ over 400 students at the hourly minimum wage rate. This increase would cause an unsustainable payroll increase for Missouri Western State University.

Officials from the **West Plains Schools** assume in order to remain competitive, they would need to raise the hourly rates by at least the same dollar figure that minimum wage increase. As a result, this would create an additional cost related to employee wages and benefits. Estimated additional annual cost is \$1,000,000 - \$1,250,000.

Officials from the **Office of Administration-Administrative Hearing Commission, Department of Labor and Industrial Relations, 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, Missouri House of Representatives, Department of Public Safety-State Emergency Management Agency, Office of the State Treasurer, Office of the Secretary of State, Office of the Governor, Department of Higher Education, Department of Public Safety-Missouri State Highway Patrol, Department of Economic Development,** and

ASSUMPTION (continued)

**Missouri State Employees' Retirement System** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **St. Louis County Board of Election Commissioners, Jackson County Board of Election Commissioners, 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 Summersville R2 School District** both assume the proposal will have no fiscal impact on their respective organizations.

**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 290.502.3 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 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 for fiscal impact.

Officials from the following **counties**: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Boone, Buchanan, 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.

ASSUMPTION (continued)

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, 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, 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,



ASSUMPTION (continued)

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 minimum wage</u>			
Salaries	(\$214,490)	(\$88,414)	(\$96,101)
Fringe Benefits	(\$63,704)	(\$26,259)	(\$28,542)
<u>Total Cost - OA-Personnel</u>	<u>(\$278,194)</u>	<u>(\$114,673)</u>	<u>(\$124,643)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*</b>	<b><u>(\$278,194)</u></b>	<b><u>(\$114,673)</u></b>	<b><u>(\$124,643)</u></b>
<b>VARIOUS STATE FUNDS</b>			
<u>Cost - OA-Personnel - increased minimum wage</u>			
Salaries	(\$40,560)	(\$316,474)	(\$530,860)
Fringe Benefits	(\$12,046)	(\$93,993)	(\$157,665)
<u>Total Cost - OA-Personnel</u>	<u>(\$52,606)</u>	<u>(\$410,467)</u>	<u>(\$688,525)</u>
<b>ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS*</b>	<b><u>(\$52,606)</u></b>	<b><u>(\$410,467)</u></b>	<b><u>(\$688,525)</u></b>
<b>FEDERAL FUND</b>			
<u>Cost - OA-Personnel - increased minimum wage</u>			
Salaries	(\$12,792)	(\$19,072)	(\$19,107)
Fringe Benefits	(\$3,799)	(\$5,664)	(\$5,675)
<u>Total Cost - OA-Personnel</u>	<u>(\$16,591)</u>	<u>(\$24,736)</u>	<u>(\$24,782)</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUND*</b>	<b><u>(\$16,591)</u></b>	<b><u>(\$24,736)</u></b>	<b><u>(\$24,782)</u></b>

<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

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

FISCAL DESCRIPTION

Under current law, the minimum wage is \$7.70 per hour. This proposal modifies that so that beginning January 1, 2019, the minimum wage will be \$8.60 per hour with \$.85 increases every year for the next four years. Beginning January 1, 2024 the wage rate shall increase or decrease based on the cost of living adjustments.

Current law provides that any employer who pays any employee less wages than the wages to which the employee is entitled under this act shall pay to the employee the full amount of the applicable wage rate not paid and an additional equal amount as liquidated damages. This proposal increases the available liquidated damages to twice the amount of wages not paid.

Current law provides that all actions for the collection of any deficiency in wages shall be commenced within two years of the accrual of the action. This act extends the statute of limitations to three years.

This proposal contains a severability clause.

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  
Office of Administration-Budget and Planning  
Department of Public Safety-Gaming Commission  
Department of Social Services  
Department of Public Safety-Veterans  
Department of Public Safety-Division of Alcohol and Tobacco Control  
Department of Natural Resources  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Public Safety-Capitol Police  
Department of Public Safety-Office of the Director  
Department of Corrections  
Department of Revenue  
Department of Health and Senior Services  
Department of Mental Health  
Office of Administration-Personnel  
Department of Agriculture  
Department of Transportation  
Missouri Department of Conservation  
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  
University of Central Missouri  
Missouri State University  
University of Missouri  
State Technical College of Missouri  
Missouri Western State University  
West Plains Schools  
Office of Administration-Administrative Hearing Commission  
Department of Labor and Industrial Relations  
Office of Administration-Accounting  
Missouri Tax Commission  
Missouri Lottery Commission  
Department of Public Safety-Division of Fire Safety

SOURCES OF INFORMATION (continued)

Joint Committee on Administrative Rules  
Missouri Consolidated Health Care Plan  
Office of the State Public Defender  
Missouri Ethics Commission  
Missouri Senate  
Missouri House of Representatives  
Department of Public Safety-State Emergency Management Agency  
Office of the State Treasurer  
Office of the Secretary of State  
Office of the Governor  
Department of Higher Education  
Department of Public Safety-Missouri State Highway Patrol  
Department of Economic Development  
Missouri State Employees' Retirement System  
St. Louis County Board of Election Commissioners  
Jackson County Board of Election Commissioners  
City of Kansas City  
Kirksville R-III School District  
Summersville R2 School District

Ross Strobe



Acting Director  
February 27, 2018