

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 192** HLS 18RS 391
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 29, 2018 8:15 AM	Author: BOUIE
Dept./Agy.: Statewide	Analyst: Tanesha Morgan
Subject: State minimum wage	

EMPLOYMENT OR INCREASE GF EX See Note Page 1 of 2
 Establishes a state minimum wage rate effective January 1, 2019.

Proposed law establishes a state minimum wage at \$15.00 per hour beginning 01/01/2019. Proposed law requires that if the federal minimum wage is raised above the state minimum wage, the state minimum wage shall also be raised to that higher federal level. Proposed law authorizes LA Workforce Commission (LWC) to assess a civil fine of \$500 to \$1,000 per employee per violation for failure to pay minimum wage. Proposed law further requires that an employer who fails to pay his employee minimum wage shall pay the employee the difference between what the employee was paid and minimum wage. Proposed law excludes student workers.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Annual Total						

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

This proposed legislation is anticipated to increase state expenditures by a minimum of \$22,181,001 in FY 19 as a result of a new minimum wage and enforcement cost to LWC. This minimum does not include costs associated with related benefits because the rates vary. For illustrative purposes, the additional impact of related benefits applying a LASERS member retirement rate of 39.25% would be \$8,534,188 in FY 19; \$ 17,068,376 in FY 20; \$ 17,550,569 in FY 21; \$ 18,047,229 in FY 22; and \$18,558,787 in FY 23 (see note below on page 2). State agencies expenditures are anticipated to increase by a minimum of \$21,743,154 as a result of additional salary expense and expenditures in the LA Workforce Commission (LWC) associated with enforcement are anticipated to increase by a minimum of \$437,847 in FY 19 (see note on LWC expenses on page 2).

Wage Increase Impact

Proposed legislation will increase state expenditures by a total of \$21,743,154 to fund the additional salary costs of the new minimum wage. According to State Civil Service, as of 01/1/2018, there are 8,621 classified employees and 533 When Actually Employed (WAE) temporary employees identified that will be earning less than \$15 per hour on 01/01/2019. In FY 19, to comply with the requirements of this legislation, additional state expenditures of \$20,475,302 for classified employees and additional state expenditures of \$1,267,852 for WAE employees are anticipated, which is annualized in future fiscal years. This fiscal note assumes that 8,621 classified employees will receive an annual 3% Market Rate Adjustment on July 15th based on the new civil service market rate adjustment plan, which ranges from 2 to 4%. See table below.

	FY 19	FY 20	FY 21	FY 22	FY 23
Classified Employees*	\$20,475,302	\$40,950,604	\$42,179,122	\$43,444,496	\$44,747,831
WAE Employees**	<u>\$1,267,852</u>	<u>\$2,535,704</u>	<u>\$2,535,704</u>	<u>\$2,535,704</u>	<u>\$2,535,704</u>
Total	\$21,743,154	\$43,486,308	\$44,714,826	\$45,980,200	\$47,283,535

*Assumes 3% Market Rate Adjustment
 **Increase to bring wages to \$15 per hour

Continued on Page 2

REVENUE EXPLANATION

This proposed legislation creates fines of \$500 to \$1,000 per employee for failure to pay a \$15 per hour minimum wage in FY 19. The LFO cannot anticipate the amount of funding that may be collected in fines from employers that fail to comply with state minimum wages.

Senate	Dual Referral Rules	House
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux
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Staff Director

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CONTINUED EXPLANATION from page one:

(CONTINUED EXPENDITURE EXPLANATION from Page 1)

NOTE: The analysis on page 1 only estimates the impact on classified employees and WAE employees in state agencies, state colleges and universities, housing authorities, ports, levee boards and independent agencies that are subject to the rules of the State Civil Service Commission. Salary data is not available for unclassified employees. However, to the extent that an unclassified employee's hourly wage falls below the minimum proposed in this bill, it will be increased accordingly.

Although not included in the analysis, related benefits will increase proportionately to the increase in salary by a rate varying from 7.65% to 48.85% depending on the employee's retirement plan. For example, if an employee is in the LASERS rank and file plan, then the related benefit cost for this employee will increase proportionately to the pay increase by 39.25% (37.8% for employer contributions to LASERS + 1.45% for Medicare).

Louisiana Workforce Commission

Presently, the State is under the federal minimum wage enforced by the U.S. Department of Labor (US DOL), Wage and Hour Division through the Fair Labor Standards Act (FLSA). As such, the U.S. Wage and Hour Division handles the majority of wage and hour complaints. As of January 2018, 29 states and the District of Columbia (DC) have minimum wages above the federal minimum wage of \$7.25 per hour. According to the LA Workforce Commission (LWC), if a state minimum wage law is enacted, they would need to create a new division within LWC to investigate and enforce wage complaints. LWC anticipates that this new division would be comprised of 5 investigators (\$72 K salary and benefits each), 1 attorney (\$141 K salary and benefits), and 1 administrative assistant (\$46 K salary and benefits). There is also anticipated one time implementation cost in FY 19 of six computers (\$2 K each) and five vehicles (\$22 K). The projected cost of the additional staff, office supplies, travel, and equipment is \$437,847 in FY 19 and on going salary, supplies, and travel cost of \$589,994 in future fiscal years.

The proposed law also allows for penalties to be imposed by a ruling of the LWC executive director. However, the ruling is pursuant to a Division of Administrative Law (DAL) adjudicatory hearing. The estimated cost to LWC per hearing is indeterminable at this time and is based on a statewide allocation from the DAL. The DAL is unable to compute this cost allocation until after July 1, 2018.

Local

Data released in October 2017 by the U.S. Census Bureau indicates that as of March 2016, there were 171,120 full time and 31,965 part time local government employees. To the extent that any of these employees are being paid below the newly created state minimum wage, local government expenditures will increase by an amount that is equal to the difference between the employee's current wage and the minimum wage as provided in this proposed bill.

Public Assistance Programs

To the extent the minimum wage increase results in individuals' earnings exceeding the means-tested public assistance threshold, there may be an indeterminable decrease in public assistance enrollment and expenditures. The number of individuals that would be impacted by the increase is unknown.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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