



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 880** HLS 22RS 1227
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 27, 2022 4:24 PM	Author: CARTER, WILFORD
Dept./Agy.: LA Workforce Commission	Analyst: Prashant Sastry
Subject: Establishes Minimum Employment Wage	

EMPLOYMENT/WAGES-MINIMUM OR INCREASE GF EX See Note Page 1 of 2
 Establishes a state minimum wage rate

Proposed law establishes a state minimum wage and sets it at \$10 per hour beginning June 30, 2023; provides that the state minimum wage shall be \$12 per hour beginning June 30, 2024; provides that the state minimum wage shall be \$13.50 per hour beginning June 30, 2025; provides that the state minimum wage shall be \$15 per hour beginning June 30, 2026. Proposed law requires that if the federal minimum wage is raised, the state minimum wage shall also be raised. Proposed law provides a fine of not less than \$500 and not more than \$1,000 per employee for failure to pay minimum wage.

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Agy. Self-Gen.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Ded./Other	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Federal Funds	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Local Funds	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Annual Total	\$0					\$0

REVENUES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

The proposed law is anticipated to increase state governmental expenditures by \$745,305 for 571 employees in FY 24, \$3,948,552 for 1,998 employees in FY 25, \$5,988,722 for 3,278 employees in FY 26, and \$9,611,082 for 4,948 employees in FY 27 as a result of additional salary expense due to the new minimum wage. Additionally, state expenditures are anticipated to increase by \$1,126,801 as a result of additional salary and other expenditures in the LA Workforce Commission associated with enforcement in FY 24.

Wage Increase Impact

	FY-24 (\$10)	FY-25 (\$12)	FY-26 (\$13.50)	FY-27 (\$15)
Classified Employees*	\$355,477	\$2,170,243	\$3,478,718	\$6,056,075
Unclassified Employees**	\$192,809	\$706,451	\$1,131,528	\$1,942,757
WAE Employees***	\$197,019	\$1,071,858	\$1,378,476	\$1,612,250
Total	\$745,305	\$3,948,552	\$5,988,722	\$9,611,082

* Assumes annual 4% performance adjustments

** Increase to bring wages to \$10/hr in FY 24, \$12/hr in FY 25, \$13.50/hr in FY 26, and \$15 per hour in FY 27

*** Assumes employee works 1,245 hrs/year which is the max for WAE

Note: This minimum wage analysis does not include costs associated with related benefits because these rates vary depending on the employees' retirement plan.

Proposed law will increase state expenditures by a total of \$745,305 for FY 24 to fund the additional salary costs associated with the new minimum wage. According to State Civil Service, as of 1/31/2022, there are 271 classified employees, 104 unclassified employees and 196 When Actually Employed (WAE) temporary employees identified that will be earning less than \$10 per hour on 6/30/2023. In FY 24, to comply with the requirements of this proposed law, additional state expenditures of \$355,477 for classified employees, \$192,809 for unclassified employees, and additional state expenditures of \$197,019 for WAE employees are anticipated. State Civil Service projects 1,078 classified employees, 322 unclassified employees, and 598 WAE employees to earn less than \$12 per hour on 6/30/24.

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REVENUE EXPLANATION

This proposed legislation creates fines of not less than \$500 and not more than \$1,000 per employee who is not receiving the minimum wage. 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
 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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 Interim Deputy Fiscal Officer



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CONTINUED EXPLANATION from page one:

Continued Expenditure Explanation from Page 1

In FY 25, to comply with the requirements of the proposed law, additional state expenditures of \$2,170,244 for 1,078 classified employees, \$706,451 for 322 unclassified employees, and \$1,071,858 for 598 WAE employees are anticipated.

In FY 26, to comply with the requirements of this proposed law, additional state expenditures of \$3,478,718 for 1,951 classified employees, \$1,131,528 for 549 unclassified employees, and additional state expenditures of \$1,137,476 for 778 WAE employees are anticipated.

In FY 27, to comply with the requirements of this proposed law, additional state expenditures of \$6,056,074 for 3,149 classified employees, \$1,942,757 for 896 unclassified employees, and additional state expenditures of \$1,612,250 for 903 WAE employees are anticipated.

Salaries and wages of classified employees and WAE employees are paid with all means of financing (MOF). All MOF may be affected by the total cost increase resulting from this proposed law. This minimum wage analysis does not include costs associated with related benefits because these rates vary depending on the employees' retirement plan.

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 handle the majority of wage and hour complaints.

According to LWC, if the department is tasked to provide the same or similar enforcement services as US DOL Wage and Hour division, a new division within LWC will have to be created and staffed. LWC estimates that they would need to hire ten investigators (\$65,407 salary and related benefits each), an attorney (\$129,132 salary and related benefits), and an administrative assistant (\$41,926 salary and related benefits) to investigate and enforce wage complaints.

Local

The proposed law will increase local governmental expenditures by an indeterminable amount as a result of the newly created state minimum wage that is higher than the current federal minimum wage. To the extent any employees at the local level are paid below the new minimum wage, local governmental expenditures will increase by an amount that is equal to the difference between the employee's current wage and the minimum wage in proposed law.

Judicial and Local Courts

To the extent the proposed law increases the number of civil cases in district courts, an indeterminable increase in costs associated with district attorney prosecutions, judicial workload, time and attendance (presence of judges, clerks, bailiffs, counsel, etc.) may result. It is speculative as to how many, if any, additional civil cases will occur as a result of this measure, as is the materiality of associated costs.

Public Assistance Programs

To the extent the minimum wage increase results in individuals' earnings exceeding the means-tested threshold for TANF cash assistance programs (FITAP and KCSP) and SNAP, 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.

The Department of Children and Family Services (DCFS) administers SNAP. SGF funds approximately half of the costs of administering SNAP. The rest of the administrative costs are funded through a federal match provided by the Food and Nutrition Services (FNS). The possible decrease in SNAP enrollment and expenditures could generate a decrease in the costs associated with administering the program.

SNAP benefits are not issued by DCFS (and are not part of DCFS budget). The federal government issues SNAP benefits directly to beneficiaries. Therefore, the possible decrease in SNAP benefits issued as a result of lower enrollment will have no impact on DCFS expenditures (or revenue).

TANF cash assistance programs (FITAP and KCSP) are administered by DCFS using federal funds. Benefits are also issued by DCFS using federal funds. Because of the low-income threshold for eligibility associated with cash assistance programs (for a household of 3 members with one working members, the maximum income to be eligible for FITAP is \$360), few beneficiaries would be negatively affected by the increase in minimum wage, and the increase in minimum wage is likely to have an immaterial impact on the costs associated with administering the program and issuing benefits.

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[X] 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
[] 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
[X] 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
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