

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 382** HLS 14RS 650
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 10, 2014 8:51 AM	Author: BROSSETT
Dept./Agy.: Civil Service/Labor	
Subject: Creates a State Minimum Wage	Analyst: Patrice Thomas

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

Proposed law establishes a state minimum wage at \$10.10 per hour beginning 01/01/2015 which is adjusted annually for inflation in accordance with the Customer Price Index beginning 01/01/2016 by the executive director of the Louisiana Workforce Commission (LWC). Proposed law requires that the employers of tipped employees make up the difference between the \$2.13 per hour paid to the employee plus tips and the state minimum wage. Proposed law provides a fine of not less than \$500 and not more than \$1,000 per employee 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 provides that LWC shall enforce the minimum wage laws and impose penalties. Proposed law excludes student workers employed with the state and with state colleges and universities from the minimum wage requirement.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Annual Total						

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	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 will increase state governmental expenditures by at least \$4,419,445 in FY 15 as a result of additional salary expense and an indeterminable increase of expenditures for the Workforce Commission associated with enforcement.

Civil Service

Proposed legislation will increase state expenditures by a total of \$4,419,445 to fund the additional costs of the new minimum wage. According to State Civil Service, as of 01/31/2014, there are 1,625 classified employees and 303 when actually employed (WAE) employees projected to earn less than \$10.10 per hour on 01/01/2015. Therefore, to comply with the requirements of this legislation, additional state expenditures of \$3,807,948 for classified employees and one-time additional state expenditures of \$611,507 for WAE employees. In subsequent fiscal years, the 1,625 classified employees are projected to receive annual 4% performance adjustment on October 1st. See table below.

	FY 15	FY 16	FY 17	FY 18	FY 19
Classified Employees*	\$3,807,948	\$3,959,736*	\$4,118,125*	\$4,282,850*	\$4,454,164*
WAE Employees**	\$ 611,507	\$ 611,507	\$ 611,507	\$ 611,507	\$ 611,507
Total	\$4,419,445	\$4,571,243	\$4,729,632	\$4,894,357	\$5,065,671

*Assumes annual 4% performance adjustments
 **One-time increase to bring wages to \$10.10 per hour

The above analysis 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. Unclassified employees are not subject to the rules of the State Civil Service Commission; therefore unclassified employees are not included in the above analysis.

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REVENUE EXPLANATION

This proposed legislation creates fines of \$500 to \$1,000 per employee for failure to pay a \$10.10 per hour minimum wage. However, the legislation does not specifically indicate how fines are to be deposited and expended. The Legislative Fiscal Office (LFO) assumes fines will be available to mitigate enforcement cost by the Louisiana Workforce Commission (LWC). In addition, 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	<u>Dual Referral Rules</u>	House	<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	 John D. Carpenter Legislative Fiscal Officer
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {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}		

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CONTINUED EXPLANATION from page one:

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(Continued Expenditure Explanation from Page 1)

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 legislation. Expenditures discussed and displayed above are displayed as State General Fund MOF for clarity.

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. As of January 2014, 21 states and the District of Columbia (DC) have minimum wages above the federal minimum wage. According to the Louisiana Workforce Commission (LWC), in states that have a state minimum wage law, the US DOL depends on the state to handle the majority of wage and hour complaints.

The proposed legislation requires that the LWC enforce the new state minimum wage under the state's labor law. According to LWC, a new division called the Wage and Hour Division will be created to handle wage and hour complaints. LWC indicates enforcement division may require an assistant, investigator, staff attorney and IT programmer as well as operating costs to handle additional complaints that would apply to the new state minimum wage. Presently, the LWC collects wage information from employers through the unemployment insurance (UI) wage web-based portal; however, the UI wage portal does not collect the hourly rate of pay. Therefore, the existing UI wage portal will have to be reprogrammed to collect the hourly rate of pay so that LWC can enforce this measure.

The proposed legislation is silent on the intensity or level of enforcement. The LWC has estimated cost associated with three levels of enforcement options: (1) minimum enforcement; (2) targeted enforcement; and (3) advance enforcement. Under the minimum enforcement option, the LWC would answer questions and investigate wage and hour complaints. Under the targeted enforcement option, the LWC would target industries that employ the highest number of minimum wage workers. Finally, under the advanced enforcement option, the LWC would audit approximately 2% of the 120,000 employers in the state. See table below.

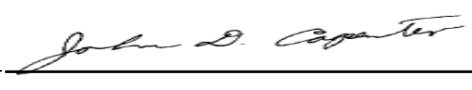
	FY 15	FY 16	FY 17	FY 18	FY 19
Minimum Enforcement	\$ 758,267	\$ 607,460	\$ 630,858	\$ 655,193	\$ 680,500
Targeted Enforcement	\$1,224,806	\$ 983,882	\$1,022,337	\$1,062,331	\$1,103,924
Advance Enforcement	\$2,050,456	\$1,673,311	\$1,739,343	\$1,808,017	\$1,879,438

Local

The proposed legislation will increase local governmental expenditures by an indeterminable amount.

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.

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