

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 646** HLS 14RS 485
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|--|--------------------------------|
| Date: April 10, 2014 9:32 AM | Author: HUNTER |
| Dept./Agy.: Civil Service/Labor | Analyst: Patrice Thomas |
| Subject: Establishes a State Minimum Wage | |

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

Proposed law establishes a state minimum wage as follows: (1) \$8.25/hr for businesses with 249,999 or fewer employees; and (2) \$8.50/hr for businesses with 250,000 or more employees. Proposed law requires that the employers of tipped employees make up the difference between the \$2.13 per hour plus tips and the state minimum wage. Beginning July 1, 2016, proposed law provides that the state minimum wage shall be adjusted by 2.5% annually for inflation. Every 4 years, beginning with the 2020 Regular Session, proposed law requires that the legislature review the state minimum wage. Proposed law provides that the Louisiana Workforce Commission (LWC) determine the increase amount and new annual minimum wage rate. Proposed law requires that if the federal minimum wage is raised, the state minimum wage shall also be raised. Proposed law provides the Proposed law provides that LWC shall enforce the minimum wage laws, promulgate rules and regulations necessary in its implementation, and impose fines between \$500 - \$1,000 per employee for failure to pay minimum wage. Proposed law excludes student workers employed with the state.

| 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. | 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

This proposed legislation will increase state governmental expenditures by at least \$1,391,324 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 \$1,391,324 to fund the additional costs of the new minimum wage. According to State Civil Service, as of 01/31/2014, there are 501 classified employees and 138 when actually employed (WAE) employees projected to earn less than \$8.50 per hour on 08/01/2014. Therefore, to comply with the requirements of this legislation, additional state expenditures of \$1,308,332 for classified employees and additional state expenditures of \$82,992 for WAE employees. In subsequent fiscal years, the 501 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* | \$1,308,332* | \$1,360,665* | \$1,415,092* | \$1,471,696* | \$1,530,564* |
| WAE Employees** | \$ 82,992** | \$ 85,067** | \$ 87,194** | \$ 89,374** | \$ 91,608** |
| Total | \$1,391,324 | \$1,445,732 | \$1,502,286 | \$1,561,070 | \$1,622,172 |

*Assumes annual 4% performance adjustments

**Increase to bring wages to \$8.50 per hour in FY 15 and 2.5% increase annually on Jan 1st

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.

Continue on Page 2

REVENUE EXPLANATION

This proposed legislation creates fines of \$500 to \$1,000 per employee for failure to pay a \$8.25 per hour and \$8.50 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.

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|--|----------------------------|-------|--|
| Senate | <u>Dual Referral Rules</u> | House | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <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} |

John D. Carpenter
Legislative Fiscal Officer

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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.

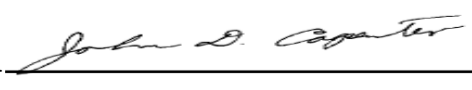
The proposed legislation is silent on the intensity or level of enforcement. The LWC has estimated cost associated with three levels of enforcement options: (1) minimum enforcement; (2) targeted enforcement; and (3) advance enforcement. Under the minimum enforcement option, the LWC would answer questions 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 | \$ 735,974 | \$ 559,619 | \$ 569,972 | \$ 583,659 | \$ 597,688 |
| Targeted Enforcement | \$1,201,565 | \$ 926,283 | \$ 948,878 | \$ 972,037 | \$ 995,776 |
| Advance Enforcement | \$2,050,456 | \$1,685,808 | \$1,727,391 | \$1,770,013 | \$1,813,701 |

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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| <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} | | |