

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4259-03
Bill No.: SB 531
Subject: Employees-Employers; Labor and Industrial Relations Department; Labor and Management
Type: Original
Date: February 10, 2014

Bill Summary: This proposal would modify the state minimum wage laws.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0 or (More than \$214,977)	\$0 or (More than \$429,954)	\$0 or (More than \$429,954)
Total Estimated Net Effect on General Revenue Fund	\$0 or (More than \$214,977)	\$0 or (More than \$429,954)	\$0 or (More than \$429,954)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 15 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
State Parks Earnings	\$0 or (More than \$124,959)	\$0 or (More than \$249,918)	\$0 or (More than \$249,918)
Missouri Veterans Homes	\$0 or (More than \$86,934)	\$0 or (More than \$173,867)	\$0 or (More than \$173,867)
Conservation Commission	\$0 or (More than \$306,978)	\$0 or (More than \$613,955)	\$0 or (More than \$613,955)
Parks Sales Tax	\$0 or (More than \$664,180)	\$0 or (More than \$1,328,361)	\$0 or (More than \$1,328,361)
State Highway and Transportation	\$0 or (More than \$71,626)	\$0 or (More than \$143,252)	\$0 or (More than \$143,252)
Colleges and Universities	\$0 or (More than \$1,000,000)	\$0 or (More than \$1,000,000)	\$0 or (More than \$1,000,000)
Other	\$0 or (More than \$45,320)	\$0 or (More than \$90,640)	\$0 or (More than \$90,640)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or (More than \$2,299,997)	\$0 or (More than \$3,599,993)	\$0 or (More than \$3,599,993)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Various	\$0 or (More than \$30,283)	\$0 or (More than \$60,567)	\$0 or (More than \$60,567)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0 or (More than \$30,283)	\$0 or (More than \$60,567)	\$0 or (More than \$60,567)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0 or (More than \$100,000)	\$0 or (More than \$100,000)	\$0 or (More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Section 290.502, RSMo, Minimum Wage Act:

Changes within this statute section would increase the statewide minimum wage rate to the greater of \$10 per hour or the federal prevailing wage rate as of January 1, 2015. Employers would be required to pay employees who are partially compensated with gratuities the greater of sixty percent of the statewide minimum wage or the amount required so that the employee's total compensation would be equal to the statewide minimum wage. Penalties equal to twice the amount of unpaid wages would be applicable to any wage underpayments.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** assume proposals may be considered by the General Assembly that would require the SOS to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Sections 116.230-116.290, RSMo. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009 in the November election there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the SOS assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. However, because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of our appropriation.

SOS officials also stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would not result in any additional costs or savings to their organization.

BAP officials deferred to the Office of Administration for an estimate of the statewide impact of the proposal.

ASSUMPTION (continued)

Officials from the **Office of Administration - Division of Accounting (OA)** assume this proposal would result in higher labor and benefit costs for all state agencies, and for small businesses.

OA officials assume the proposal would become effective in spring FY2015, and indicated a cost for additional wages of \$2,870,890. The OA response also indicated the total annual cost including additional wages and benefits at 51.005% would be $(\$2,870,890 \times 1.51005) = \$4,335,188$. OA officials stated that amount was based on the assumption that all of the employees would be eligible for full state benefits for a full calendar year.

OA officials provided additional information at our request, indicating their estimate of the fiscal impact for this proposal was based on amounts accumulated from payroll records. OA officials also told us most of the employees reported were part-time and temporary employees who are not typically eligible for most state employee benefits, although some employees reported may be permanent full-time and some may be eligible for full state employee benefits.

Finally, OA officials told us their cost estimate for the state did not include colleges and universities.

Oversight notes this proposal would provide a new statewide minimum wage rate as of January, 2015. Oversight assumes the state would pay Social Security and Medicare taxes on all of these employees, and has calculated a cost including Social Security and Medicare taxes for those employees based on the payroll costs provided by OA. The amounts calculated by fund are shown in the following chart. Oversight assumes some but not all of these employees would be eligible for state employee benefits; therefore, the fiscal impact would be more than the amounts calculated, due to the potential benefit cost.

Oversight assumes the proposal could become effective January 1, 2015 if approved by the voters in the November, 2014 general election. For fiscal note purposes, Oversight will include a cost of \$0 or more than six months (50% of full year cost) for FY 2015 and \$0 or more than a full year cost for FY 2016 and FY 2017.

ASSUMPTION (continued)

<u>Fund</u>	<u>Six Month Cost For Wages and Payroll Tax</u>	<u>Annual Cost for Wages and Payroll Tax</u>
General Revenue	\$214,977	\$429,954
State Parks Earnings	\$124,959	\$249,918
Missouri Veterans Homes	\$86,934	\$173,867
Conservation Commission	\$306,978	\$613,955
Parks Sales Tax	\$664,180	\$1,328,361
State Highway and Transportation	\$71,626	\$143,252
Other state	\$45,320	\$90,640
Federal	\$30,283	\$60,567
Total	\$1,545,257	\$3,090,514

Officials from **Lincoln University** assume this proposal would mean an approximate \$216,000 increase in wages paid to students per year.

Officials from **Missouri Southern State University** stated that establishing a minimum wage floor of \$10.00 per hour would increase payroll costs at Missouri Southern State University by a minimum of \$35,000. Student help and Federal Work Study student workers would be impacted.

Officials from **Missouri State University** assume this proposal would result in increased costs to their organization but did not provide an estimate of the additional cost.

Officials from **Northwest Missouri State University** provided a response which indicated a cost to their organization of \$47,000 per year to increase student wage rates to \$7.50 per hour.

Oversight notes the Northwest Missouri State University response appears to be based on existing statewide minimum wage provisions.

ASSUMPTION (continued)

Officials from **Missouri Western State University** assume this proposal may have some impact due to the proposed minimum wage increase. The majority of fiscal impact would fall on the student group where most new hires start at the current minimum wage of \$7.35 (soon to be \$7.50).

Officials from the **University of Central Missouri** estimated \$1.55 million annually in increased costs if this proposal was implemented.

University officials stated this proposal would affect full-time employees as well as student workers across the campus. Full-time wages and benefits would be impacted by \$180,000.

Student wages would be affected by \$1.47 million. This change would also affect students receiving Federal Financial Aid and the departments they work in. This change would mean that students receiving Financial Aid would receive their financial aid allotment in fewer hours worked resulting in as much as 25% fewer hours worked. Although not all hours are critical to the success of each department, a shortfall would cause certain departments to have to pay for additional work hours to meet their needs.

Finally, there would be indirect costs and consequences. This change would cause immediate staff salary compression issues by moving lower than \$10 per hour employees up against those already earning just over \$10 per hour. This would impact the overall university salary structure causing a ripple effect of salary and equity adjustments, especially those in the \$10-\$15 range. This would not be immediate but would occur over a period of time resulting in costs well above the initial fiscal impact quoted.

Officials from the **University of Missouri** anticipated the cost of this proposal to their organization would be between \$6 million and \$12 million annually.

Officials from the **Metropolitan Community College** assume this proposal would cost their organization approximately \$270,000 in the first full year it is effective.

Officials from **St. Charles Community College** assume this proposal would increase the cost to their organization for wages and benefits by \$60,000 annually.

ASSUMPTION (continued)

Oversight received responses from several colleges and universities indicating significant additional cost, but not all colleges and universities were able to respond and provide a detailed cost estimate. Oversight assumes all colleges and universities would have a fiscal impact from this proposal and will indicate a cost of \$0 or more than \$1 million per year for the additional cost to colleges and universities.

Officials from the **City of Columbia** noted the statewide minimum wage would be increased to \$7.50 per hour based on existing provisions, and estimated that increasing the rate from \$7.50 to \$10.00 would increase costs to their organization by \$140,000 or more.

Officials from the **City of Kansas City** stated there would be an increased cost to the City, but it would be minimal within the City's current salary costs. Currently, the only City employees who are paid below the proposed minimum wage are approximately 100 seasonal interns, and fewer than 25 part time and temporary employees. The cost to the City would therefore likely be well less than \$200,000.

Officials from the **City of Sullivan** assume the proposed minimum wage increase would increase their cost for temporary seasonal employees, ball field concession workers, and lifeguards in a combined amount \$22,835. This is a budgetary increase of over a 22%.

Officials from **Francis Howell School District** assume the cost to their organization for the first year of implementation for this proposal would be \$10,000.

Officials from the **Jackson County Election Board** assume this proposal would have no impact on their organization as they are currently paying that amount as their starting wage.

Officials from the **St. Louis County Director of Elections** assumed the proposal would exclude Election Day Poll Workers and stated there would be a negligible increase in pay for temporary office workers that assist the office during an election cycle.

Oversight assumes most local governments would incur additional costs to implement this proposal; however, only a limited number of local governments provided information for this fiscal note. Accordingly, Oversight will indicate costs of \$0 or more than \$100,000 for local governments for this proposal.

ASSUMPTION (continued)

Officials from the **Department of Labor and Industrial Relations**, the **Joint Committee on Administrative Rules**, and **Linn State Technical College**, assume this proposal would have no fiscal impact on their organization.

Not responding

Officials from the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kansas City, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

Officials from the following school districts: Blue Springs, Branson, Charleston R-I, Cole R-I, Columbia, Fair Grove, Francis Howell, Fulton, Harrison R-IX, Independence, Jefferson City, Johnson County R-7, Kansas City, Kirksville, Kirbyville R-V , Lee's Summit, Malden R-I, Malta Bend, Mexico, Monroe City R-I, Nixa, Parkway, Pattonville, Raymore-Peculiar R-III, Raytown, Riverview Gardens, Sedalia, Sikeston, Silex, Special School District of St. Louis County, Spickard, St Joseph, St Louis, St. Charles, Sullivan, Warren County R-III, and Waynesville did not respond to our request for information.

ASSUMPTION (continued)

Officials from the following colleges: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Kansas City Metro Community College, Linn State Technical College, Lincoln University, Moberly Area Community College, Missouri Southern State University, Missouri Western State University, Missouri 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, Truman State University, University of Central Missouri and the University of Missouri did not respond to our request for information.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (6 Mo.)	FY 2016	FY 2017
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GENERAL REVENUE FUND

<u>Cost</u> - State agencies Additional wages and benefits	\$0 or (More than \$214,977)	\$0 or (More than \$429,954)	\$0 or (More than \$429,954)
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 or (More than \$214,977)</u>	<u>\$0 or (More than \$429,954)</u>	<u>\$0 or (More than \$429,954)</u>
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STATE PARKS EARNINGS FUND

<u>Cost</u> - Department of Natural Resources Additional wages and benefits	\$0 or (More than \$124,959)	\$0 or (More than \$249,918)	\$0 or (More than \$249,918)
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ESTIMATED NET EFFECT ON STATE PARKS EARNINGS FUND	<u>\$0 or (More than \$124,959)</u>	<u>\$0 or (More than \$249,918)</u>	<u>\$0 or (More than \$249,918)</u>
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FISCAL IMPACT - State Government (continued)	FY 2015 (6 Mo.)	FY 2016	FY 2017
MISSOURI VETERANS HOMES FUND			
<u>Cost</u> - Department of Public Safety Additional wages and benefits	<u>\$0 or (More than \$86,934)</u>	<u>\$0 or (More than \$173,867)</u>	<u>\$0 or (More than \$173,867)</u>
ESTIMATED NET EFFECT ON MISSOURI VETERANS HOMES FUND	<u>\$0 or (More than \$86,934)</u>	<u>\$0 or (More than \$173,867)</u>	<u>\$0 or (More than \$173,867)</u>
CONSERVATION COMMISSION FUND			
<u>Cost</u> - Department of Conservation Additional wages and benefits	<u>\$0 or (More than \$306,978)</u>	<u>\$0 or (More than \$613,955)</u>	<u>\$0 or (More than \$613,955)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>\$0 or (More than \$306,978)</u>	<u>\$0 or (More than \$613,955)</u>	<u>\$0 or (More than \$613,955)</u>
PARKS SALES TAX FUND			
<u>Cost</u> - Department of Natural Resources Additional wages and benefits	<u>\$0 or (More than \$664,180)</u>	<u>\$0 or (More than \$1,328,361)</u>	<u>\$0 or (More than \$1,328,361)</u>
ESTIMATED NET EFFECT ON PARKS SALES TAX FUND	<u>\$0 or (More than \$664,180)</u>	<u>\$0 or (More than \$1,328,361)</u>	<u>\$0 or (More than \$1,328,361)</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2015 (6 Mo.)	FY 2016	FY 2017
STATE HIGHWAY AND TRANSPORTATION FUND			
<u>Cost</u> - Department of Transportation Additional wages and benefits	<u>\$0 or (More than \$71,626)</u>	<u>\$0 or (More than \$143,252)</u>	<u>\$0 or (More than \$143,252)</u>
ESTIMATED NET EFFECT ON HIGHWAY AND TRANSPORTATION FUND	<u>\$0 or (More than \$71,626)</u>	<u>\$0 or (More than \$143,252)</u>	<u>\$0 or (More than \$143,252)</u>
OTHER STATE FUNDS			
<u>Cost</u> - State agencies Additional wages and benefits	<u>\$0 or (More than \$45,320)</u>	<u>\$0 or (More than \$90,640)</u>	<u>\$0 or (More than \$90,640)</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>\$0 or (More than \$45,320)</u>	<u>\$0 or (More than \$90,640)</u>	<u>\$0 or (More than \$90,640)</u>
COLLEGES AND UNIVERSITIES			
<u>Cost</u> - Colleges and universities Additional wages and benefits	<u>\$0 or (More than \$1,000,000)</u>	<u>\$0 or (More than \$1,000,000)</u>	<u>\$0 or (More than \$1,000,000)</u>
ESTIMATED NET EFFECT ON COLLEGES AND UNIVERSITIES	<u>\$0 or (More than \$1,000,000)</u>	<u>\$0 or (More than \$1,000,000)</u>	<u>\$0 or (More than \$1,000,000)</u>
OTHER FEDERAL FUNDS			
<u>Cost</u> - State agencies Additional wages and benefits	<u>\$0 or (More than \$30,283)</u>	<u>\$0 or (More than \$60,567)</u>	<u>\$0 or (More than \$60,567)</u>
ESTIMATED NET EFFECT ON OTHER FEDERAL FUNDS	<u>\$0 or (More than \$30,283)</u>	<u>\$0 or (More than \$60,567)</u>	<u>\$0 or (More than \$60,567)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (6 Mo.)	FY 2016	FY 2017
LOCAL GOVERNMENTS			
<u>Cost</u> - Local governments	\$0 or (More	\$0 or (More	\$0 or (More
Additional wages and benefits	<u>than \$100,000)</u>	<u>than \$100,000)</u>	<u>than \$100,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0 or (More than \$100,000)</u>	<u>\$0 or (More than \$100,000)</u>	<u>\$0 or (More than \$100,000)</u>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses, which would incur additional costs for wages and benefits to workers currently paid the statewide minimum wage.

FISCAL DESCRIPTION

This proposal would, upon voter approval, raise the statewide minimum wage from \$7.50 to \$10.00 beginning January 1, 2015. The minimum wage for workers who are partially compensated from tips would be increased from 50% to 60% of the statewide minimum wage.

The proposal would require a cost of living adjustment to the statewide minimum wage each year regardless of whether the statutory minimum or federal minimum is used.

The proposal would also increase the penalty for paying less than the minimum wage from the full amount of the wage rate to twice that amount as liquidated damages, and would extend the statute of limitations for bringing a claim from 2 to 3 years.

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

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Accounting
 Division of Budget and Planning
Department of Labor and Industrial Relations
Lincoln University
Linn State Technical College
Missouri Southern State University
Missouri State University
Missouri Western State University
Northwest Missouri State University
University of Central Missouri
University of Missouri
Metropolitan Community College
St. Charles Community College
City of Columbia
City of Kansas City
City of Sullivan
Francis Howell School District
Jackson County Election Board
St. Louis County Director of Elections



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