

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 269** SLS 16RS 423
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 12, 2016 1:09 PM	Author: PETERSON
Dept./Agy.: Statewide	Analyst: Patrice Thomas
Subject: Creates a State Minimum Wage	

EMPLOYMENT EG +\$247,982 EX See Note Page 1 of 2
 Provides for an increase in the state minimum wage. (2/3-CA7s2.1)(8/1/16)

Proposed law establishes a state minimum wage at \$8.00 per hour beginning 01/01/2017 and \$8.50 per hour beginning 01/01/2018. 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 sets forth the proper venues of any civil action. 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 set the statutory time for filing a civil action at 3 years. Proposed law requires the clerk of each court to notify LA Workforce Commission (LWC) monthly of any cases and LWC shall compile a comprehensive list to submit to House and Senate Labor committees. Proposed law authorizes LWC to assess a civil fine of \$100 to \$500 per employee per day per violation for failure to pay minimum wage. Proposed law excludes student workers, tipped and agriculture employees. Proposed law creates the Minimum Wage Enforcement Account and all civil fines shall be deposited into the account to be used by LWC for enforcement.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

This proposed legislation is anticipated to increase state expenditures by \$247,982 in FY 17 as a result of a new minimum wage. State agencies expenditures are anticipated to increase by \$204,200 as a result of additional salary expense and expenditures in the LA Workforce Commission associated with enforcement are anticipated to increase by \$43,782 in FY 17.

Wage Increase Impact

Proposed legislation will increase state expenditures by a total of \$204,200 to fund the additional salary costs of the new minimum wage. According to State Civil Service, as of 01/31/2016, there are 178 classified employees and 22 When Actually Employed (WAE) temporary employees identified that will be earning less than \$8 per hour on 01/01/2017. In FY 17, to comply with the requirements of this legislation, additional state expenditures of \$118,637 for classified employees and additional state expenditures of \$15,563 for WAE employees are anticipated. State Civil Service projects 272 classified employees and 171 WAE employees to earn less than \$8.50 per hour on 01/01/2018. In FY 18, to comply with the requirements of this legislation, additional state expenditures of \$83,024 and one-time additional state expenditures of \$84,137 for WAE employees are anticipated. The fiscal note assumes that the 272 classified employees receive annual 4% performance adjustments on October 1st. See table below.

	FY 17	FY 18	FY 19	FY 20	FY 21
Classified Employees*	\$118,637	\$83,024	\$86,345	\$89,799	\$93,391
WAE Employees**	\$15,563	\$84,137	\$84,137	\$84,137	\$84,137
Total	\$204,200	\$167,162	\$170,482	\$173,936	\$177,528

*Assumes annual 4% performance adjustments
 **Increase to bring wages to \$8/hr in FY 17 and \$8.50/hr in FY 18

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 \$100 to \$500 per employee for failure to pay a \$8 per hour minimum wage in FY 17 and \$8.50 per hour minimum wage in FY 18. Civil fines are to be deposited into the newly created Minimum Wage Enforcement Account in the Employment Security Administration Fund statutory dedication and expended by LWC to mitigate enforcement cost. 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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|--|--|--------------|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <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} | |

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CONTINUED EXPLANATION from page one:

(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 shown as State General Fund MOF for clarity. Although not included in the analysis, related benefits are anticipated to increase by an indeterminable amount under this measure.

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 2016, 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 have a memorandum of understanding (MOU) with the US DOL to investigate and enforce wage and hour complaints.

The proposed legislation authorizes LWC to assess civil fines based in cases of employers who are successfully sued by an employee for violating the minimum wage law that are submitted by the clerk of each court. LWC will notify employers of their civil fine as well as outline an appeals process. If a civil fine is appealed, LWC has indicated an existing attorney on staff will handle the litigation. LWC does not anticipate many appeals and projects the cost of litigation at \$31,282. In addition, educational material regarding compliance with minimum wage laws is projected at \$12,500.

Local

The proposed legislation 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.

Judicial and Local Courts

To the extent the proposed legislation 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 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 House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

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

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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