

FISCAL NOTE

Bill #: HB0245

Title: Livable wage for families act

Primary Sponsor: Dave Gallik

Status: As Introduced

Sponsor signature Date

Chuck Swysgood, Budget Director Date

Fiscal Summary

| | <u>FY2002</u> <u>Difference</u> | <u>FY2003</u> <u>Difference</u> |
|--|--|---|
| Expenditures: | | |
| General Fund | 348,899 | 318,995 |
| State Special Revenue | 556,620 | 508,913 |
| Federal Special Revenue | 187,562 | 171,487 |
| Other | 117,712 | 107,623 |
| Net Impact on General Fund Balance: | (\$348,899) | (\$318,995) (and undeterminable) |

| <u>Yes</u> | <u>No</u> | | <u>Yes</u> | <u>No</u> | |
|-------------------|------------------|----------------------------------|-------------------|------------------|-------------------------------|
| X | | Significant Local Gov. Impact | X | | Technical Concerns |
| | X | Included in the Executive Budget | X | | Significant Long-Term Impacts |
| | X | Dedicated Revenue Form Attached | X | | Family Impact Form Attached |

Fiscal Analysis

ASSUMPTIONS:

Department of Administration, for the State of Montana, as employer

1. Federal poverty level for a family of four is assumed to increase by 3% each year, over the 2000 federal poverty level of \$8.20.
2. Increased expenses related to expanded duties, related to reporting responsibilities, will be assumed within current appropriations.
3. Only employees working 35 hours or more during a scheduled 5-day workweek would be impacted.

4. The employees impacted by this bill are assumed to receive an annual 4% pay raise. Pay raises were assumed to be effective on January 1 of each year. The entry salary rate was assumed to increase 1% annually.
5. The attrition rate is assumed to be 10% annually.
6. Funding is prorated to its source based on the FY 2000 Comprehensive Annual Financial Report percentages for compensated absences attributable to each fund source.

Department of Health and Human Services

8. The Human and Community Services Division estimates that the TANF caseload participation would decrease based on participants' income increases, disqualifying them from TANF programs. However, the caseload reduction will be offset by contracts with service providers (nursing homes, personal care providers) whose costs increase because of higher salaries. Therefore, there is no net fiscal impact for the division.
9. Based on Senior and Long Term Care wage data, this legislation will require wage/benefit increases for 85% of workers in Area Agencies on Aging (193 FTE), 53% of nursing facilities (2,296 persons) and 100% of personal care workers (3,973 persons). The costs of these additional wages and benefits will either reduce benefits being provided under fixed amount grants and/or translate into higher costs for the services being provided, primarily in the Medicaid program. This legislation will affect nearly 6,400 workers for contractors who receive financial public assistance from the division.
10. The Disability Services Division estimates that approximately 950 direct care employees of developmental disabilities providers will be impacted by this bill.
11. The majority of other wages paid by contractors for the department are reimbursed on a fee-for-service basis. Some providers may need to reevaluate the amount they compensate their employees, but the impact to the fee-for-service agreements is not able to be evaluated.
12. The net cost to the department as a result of HB0245 is not able to be determined.

FISCAL IMPACT:

| | <u>FY2002 Difference</u> | <u>FY2003 Difference</u> |
|--|------------------------------|------------------------------|
| State of Montana, as employer: Many Agencies Impacted | | |
| <u>Expenditures:</u> | | |
| Personal Services | \$1,210,793 | \$1,107,018 |
| <u>Funding:</u> | | |
| General Fund (01) | 348,899 | 318,995 |
| State Special Revenue (02) | 556,620 | 508,913 |
| Federal Special Revenue (03) | 187,562 | 171,487 |
| Other | <u>117,712</u> | <u>107,623</u> |
| TOTAL | \$1,210,793 | \$1,107,018 |

Net Impact to Fund Balance (Revenue minus Expenditure):

| | | |
|------------------------------|-----------|-----------|
| General Fund (01) | (348,899) | (318,995) |
| State Special Revenue (02) | (556,620) | (508,913) |
| Federal Special Revenue (03) | (187,562) | (171,487) |
| Other | (117,712) | (107,623) |

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

1. This bill may require local governments to spend additional sums for which no specific means of financing are provided. Section 1-2-114, MCA, provides that bills that have such an impact may not be introduced.
2. Salary costs for county and local governments will be impacted by increased minimum wage rates to the federal poverty level for a family of four.

LONG-RANGE IMPACTS:

The increase in salary costs, as a result of increasing the minimum wage rate to the federal poverty level for a family of four, will be on-going.

TECHNICAL NOTES:

1. This fiscal note assumes that the wage rate for employees in the same job could be paid different hourly wages as a result of the total hours that they work in a scheduled 5-day workweek. The legality of paying a different wage to someone working 35 or more hours in a scheduled workweek, as opposed to someone working less than 35 hours, needs to be questioned. The fiscal impact of this bill will be greater if the wage rate applying to employees working 35 or more hours per week must be applied to employees working less than 35 hours as well.
2. Section 3 states that payment of the livable wage must be made by an employer who receives public financial assistance and who provides full health insurance coverage. The definition of “public financial assistance” is: any grant, loan, tax incentive, credit or abatement, bond financing, subsidy, or other form of assistance of \$40,000 or more in a calendar year that is provided by an agency or by a commercial lending institution authorized to participate in a state program to an employer for the initiation, continuation, or expansion of a business located in the state and that results in a direct financial benefit to the employer.
3. Absent explicit exclusions by definitions or provision, the bill may apply to any entity contracting with the Department of Public Health and Human Services, inclusive of all the service providers across the various programs, and many other state agencies.