FISCAL NOTE

Bill #: SB0230

Title: Minimum wage for employees if 15 or more employed by business

Primary Sponsor: Ken Toole

Status: As Introduced

Sponsor signature Date

Chuck Swysgood, Budget Director Date

Fiscal Summary

	FY2002 Difference	FY2003 Difference
Expenditures:		
General Fund	657,546	611,206
State Special Revenue	1,049,025	975,096
Federal Special Revenue	353,486	328,574
Other	221,844	206,210
Net Impact on General Fund Balance:	**($657,546)**	**($611,206)**
	(and undeterminable)	

Yes	No		Yes	No	
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:

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. The employees impacted by this bill are assumed to receive an annual 4% pay raise. Pay raises are assumed to be effective on January 1 of each year.
3. The entry salary rate is assumed to increase 1% annually. The attrition rate is assumed to be 10% annually.

4. Funding is prorated to its source based on the FYE 2000 Comprehensive Annual Finance Report percentages for compensated absences attributable to each fund source.

Department of Health and Human Services

5. 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.
6. 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.
7. The Disability Services Division estimates that approximately 950 direct care employees of developmental disabilities providers will be impacted by this bill.
8. 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.
9. The net cost to the department as a result of SB 230 is not able to be determined

Department of Revenue

10. Increasing the minimum wage by this amount would impact both employment, and the individual income taxes paid by employees impacted by this change in the minimum wage. Individual income taxes would increase for many of the employees who received an increase in pay as a result of increasing the minimum wage. In some instances, increases in the minimum wage of this magnitude would result in a decrease in employment, offsetting the increase in income taxes from employees who remained employed. The Department of Revenue has no data with which to accurately calculate these impacts on the individual income tax.
11. Increasing the minimum wage would increase personal services costs in the Department of Revenue, and likely in all other state agencies as well. This impact also is unknown.

FISCAL IMPACT:

	FY2002 Difference	FY2003 Difference
State of Montana, as employer: Many Agencies Impacted		
Expenditures:		
Personal Services	$2,281,901	$2,121,086
Funding:		
General Fund (01)	657,546	611,206
State Special Revenue (02)	1,049,025	975,096
Federal Special Revenue (03)	353,486	328,574
Other	221,844	206,210
TOTAL	$2,281,901	$2,121,086

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(657,546)	(611,206)
State Special Revenue (02)	(1,049,025)	(975,096)
Federal Special Revenue (03)	(353,486)	(328,574)
Other	(221,844)	(206,210)
TOTAL	($2,281,901)	($2,121,086)

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. Nearly doubling the minimum wage would have long-term consequences for employment and the individual income tax. Employment is likely to decline relative to current levels as some employers lay off marginal workers. Depending on the employment response, individual income taxes may either increase, remain stable, or decrease in the long run. The Department of Revenue has no modeling programs capable of estimating these long-term impacts.

TECHNICAL NOTES:

1. The bill as drafted provides for an increase in the minimum wage in certain circumstances to either "100% of the federal poverty level for a family of four" or "125% of the federal poverty level for a family of four". It is not clear from this language what this means, as federal poverty levels are not stated in terms of dollars per hour of labor, but in terms of levels of income. For example, in 1999 the weighted average federal poverty level for a family of four was $17,029. Under the bill as drafted, would employers be required to pay qualifying employees this amount regardless of the number of hours actually worked? It would be clearer to state that the minimum wage is equal to "the hourly equivalent of 100% of the federal poverty level…". This would better establish guidelines for all employees, regardless of the number of hours worked.
2. Also, federal poverty levels are established for various sizes of family units; however, there are several different poverty levels for the family size of four depending on the number of related children under 18 years of age. The bill should specify clearly which poverty threshold is to be used. For example, choices include the level that reflects a family of four with two children under age 18 ($16,895 in 1999); or the weighted average threshold of all families of size four regardless of composition of the family unit ($17,029 in 1999). Without specifying these details in the bill, it would require the administering agency to arbitrarily select from significantly different possibilities.