



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill # SB0002

Title: Raise state minimum wage

Primary Sponsor: Windy Boy, Jonathan

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$509,811	\$995,341	\$1,047,492	\$1,129,403
State Special Revenue	\$13,333	\$26,593	\$32,361	\$46,278
Federal Special Revenue	\$3,826	\$7,632	\$9,181	\$12,888
Other - Proprietary	\$956	\$1,905	\$2,431	\$3,633
Other - University System	\$2,370,773	\$4,601,781	\$4,780,341	\$5,026,952
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$69,692	\$278,766	\$290,252	\$304,611
Federal Special Revenue	\$0	\$0	\$0	\$0
Other - Proprietary	\$531,668	\$2,126,673	\$2,214,300	\$2,323,837
Other - University System	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$509,811)</u>	<u>(\$995,341)</u>	<u>(\$1,047,492)</u>	<u>(\$1,129,403)</u>

Description of fiscal impact: SB 2 increases the minimum wage to \$10.10 per hour in Montana on January 1, 2016 and implements annual adjustments beginning in 2018. There is a fiscal impact to the State of Montana and to the Montana University System to increase pay for any employee making less than the new minimum wage. The bill would increase the contribution and assessments paid by employers to the Unemployment Insurance Trust Fund and to the Employment Security Account. There may also be some impact to local governments.

FISCAL ANALYSIS

Assumptions:

Department of Labor and Industry

1. The number of workers who would be affected by the proposed increase in the minimum wage is assumed to remain unchanged through FY 2019 and is represented in the following table. These figures were derived from U.S. Bureau of Labor Statistic reports for SFY 13 (CY 2012, Q3 & Q4 and CY 2013, Q1 & Q2).

Current Hourly Wage Range	Amount less	% under	Employment	Government	Private	Nonprofit
	\$10.10	\$10.10		16.25%	74.52%	9.23%
<8.46	\$1.84	32.65%	33,961	5,519	25,308	3,135
8.47 – 8.87	\$1.43	20.32%	21,132	3,433	15,747	1,950
8.88 – 9.28	\$1.02	20.19%	20,997	3,412	15,647	1,938
9.29 – 9.69	\$.61	15.27%	15,887	2,582	11,839	1,466
9.70 – 10.10	\$.20	11.58%	12,042	1,957	8,974	1,111
Total		100%	104,019	16,903	77,515	9,601

2. The minimum wage of \$10.10 would be effective January 1, 2016. No increase in CY 2017 is projected. The minimum wage would increase to \$10.30 in CY 2018 and to \$10.55 in CY 2019.
3. Full time (FT) workers working 2,080 hours make up 36% of the total. Part time (PT) workers working 1,040 hours make up 64% of the total.
4. Since the bill has an effective date of January 1, 2016, only one quarter of taxable revenue would be deposited to the Unemployment Insurance Trust Fund in FY 2016.
5. The contribution rate (schedule III) is assumed to remain the same through FY 2019 (.36% Government and 1.52% Private). Nonprofit organizations were excluded from the calculation on impact to the unemployment insurance contribution because they directly reimburse the state for unemployment benefits.
6. Total increased contributions to the Unemployment Insurance Trust Fund (39-51-401, MCA) are shown in the following table.

Total Impact for Contribution to Trust Fund for SB 2 per State Year

State Year	(FT) Government	(FT) Private	(PT) Government	(PT) Private	Total Impact
FY 2016	\$13,822	\$267,648	\$12,287	\$237,911	\$531,668
FY 2017	\$55,286	\$1,070,594	\$49,149	\$951,644	\$2,126,673
FY 2018	\$57,565	\$1,114,706	\$51,174	\$990,855	\$2,214,300
FY 2019	\$60,415	\$1,169,847	\$53,706	\$1,039,869	\$2,323,837

7. The amounts that are taxable per 39-51-404, MCA, are deposited to the Employment Security Account (ESA) per 69-51-409, MCA.
8. The employer assessment for the Special Administrative Fund (including nonprofits) is prescribed in 39-51-404, MCA.
 - a. (b) 0.18% of all taxable wages paid by employers assigned a contribution rate other than Rate Class I, Schedules I and II as provided in 39-51-1218, MCA;
 - b. (d) 0.08% of total wages paid by all employers as provided in 39-51-1217, MCA; and
 - c. (e) 0.09% of total wages paid by all employers as provide in 39-51-1212, MCA.

9. Total increased revenues to the Employment Security Account (39-51-409, MCA) are shown in the following table.

Total Impact for Administrative Tax to ESA for SB 2 per State Year

State Year	(FT) Government	(FT) Private	(PT) Government	(PT) Private	(FT) Nonprofit	(PT) Nonprofit	Total Impact
FY 2016	\$3,455	\$31,695	\$3,072	\$28,174	\$1,745	\$1,551	\$69,692
FY 2017	\$13,822	\$126,781	\$12,287	\$112,694	\$6,978	\$6,204	\$278,766
FY 2018	\$14,391	\$132,005	\$12,794	\$117,337	\$7,266	\$6,459	\$290,252
FY 2019	\$15,104	\$138,534	\$13,426	\$123,143	\$7,625	\$6,779	\$304,611

State Agencies

10. Approximately 85 permanently authorized positions in the Executive and Judicial Branches are held by employees who make less than \$10.10 per hour. There are no employees in the Legislative Branch who make less than \$10.10 per hour.
11. The minimum wage will increase to \$10.10 per hour on January 1, 2016. The cost to bring these employees to \$10.10 per hour plus associated benefits is projected to be \$63,897 in FY 2016.
12. The minimum wage will remain at \$10.10 per hour in calendar year 2017. The estimated cost to maintain state employees at \$10.10 per hour plus associated benefits is project to be \$127,422 in FY 2017.
13. On January 1, 2018, the minimum wage is projected to increase to \$10.30. The estimated cost for this increase including associated benefits is projected to be \$143,877 in FY 2018.
14. On January 1, 2019, the minimum wage is projected to increase to \$10.55. The estimated cost to for this increase including associated benefits is projected to be \$184,758 in FY 2019.

Montana University System

15. All campuses employ student workers who make less than \$10.10 per hour.
16. The minimum wage will increase to \$10.10 per hour on January 1, 2016. The cost to bring these workers to \$10.10 per hour plus associated benefits is projected to be \$2,834,802 in FY 2016.
17. The minimum wage will remain at \$10.10 per hour in calendar year 2017. The estimated cost to maintain state employees at \$10.10 per hour plus associated benefits is project to be \$5,505,830 in FY 2017.
18. On January 1, 2018, the minimum wage is projected to increase to \$10.30. The estimated cost for this increase including associated benefits is projected to be \$5,727,929 in FY 2018.
19. On January 1, 2019, the minimum wage is projected to increase to \$10.55. The estimated cost to for this increase including associated benefits is projected to be \$6,034,396 in FY 2019.

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
Department of Labor and Industry				
<u>Expenditures:</u>				
Operating Expenses	\$0	\$0	\$0	\$0
TOTAL Expenditures	\$0	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
Other - Proprietary	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$0	\$0	\$0	\$0
<u>Revenues:</u>				
State Special Revenue (02)	\$69,692	\$278,766	\$290,252	\$304,611
Other - Proprietary	\$531,668	\$2,126,673	\$2,214,300	\$2,323,837
TOTAL Revenues	\$601,360	\$2,405,439	\$2,504,552	\$2,628,448

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
State Agencies				
<u>Expenditures:</u>				
Personal Services	\$63,897	\$127,422	\$143,877	\$184,758
TOTAL Expenditures	\$63,897	\$127,422	\$143,877	\$184,758
<u>Funding of Expenditures:</u>				
General Fund (01)	\$45,782	\$91,292	\$99,904	\$121,959
State Special Revenue (02)	\$13,333	\$26,593	\$32,361	\$46,278
Federal Special Revenue (03)	\$3,826	\$7,632	\$9,181	\$12,888
Other	\$956	\$1,905	\$2,431	\$3,633
TOTAL Funding of Exp.	\$63,897	\$127,422	\$143,877	\$184,758
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0

	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>
Fiscal Impact:				
Montana University System				
Expenditures:				
Personal Services	\$2,834,802	\$5,505,830	\$5,727,928	\$6,034,396
TOTAL Expenditures	\$2,834,802	\$5,505,830	\$5,727,928	\$6,034,396
Funding of Expenditures:				
General Fund (01)	\$464,029	\$904,049	\$947,588	\$1,007,444
Other-Tuition	\$108,846	\$212,061	\$222,274	\$236,314
Other-University Funds Rest	\$503,113	\$970,843	\$1,007,426	\$1,059,713
Other-University Funds Desi	\$581,090	\$1,130,035	\$1,181,970	\$1,251,963
Other-University Funds Auxi	\$1,092,729	\$2,124,429	\$2,199,986	\$2,304,036
Other-University Funds Plan	\$84,995	\$164,413	\$168,685	\$174,926
TOTAL Funding of Exp.	\$2,834,802	\$5,505,830	\$5,727,929	\$6,034,396
Revenues:				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$509,811)	(\$995,341)	(\$1,047,492)	(\$1,129,403)
State Special Revenue (02)	\$56,359	\$252,173	\$257,891	\$258,333
Federal Special Revenue (03)	(\$3,826)	(\$7,632)	(\$9,181)	(\$12,888)
Other - Proprietary (06)	\$530,712	\$2,124,768	\$2,211,869	\$2,320,204
Other-Tuition	(\$108,846)	(\$212,061)	(\$222,274)	(\$236,314)
Other-University Funds Rest	(\$503,113)	(\$970,843)	(\$1,007,426)	(\$1,059,713)
Other-University Funds Desi	(\$581,090)	(\$1,130,035)	(\$1,181,970)	(\$1,251,963)
Other-University Funds Auxi	(\$1,092,729)	(\$2,124,429)	(\$2,199,986)	(\$2,304,036)
Other-University Funds Plan	(\$84,995)	(\$164,413)	(\$168,685)	(\$174,926)

