



**State Fiscal Note for Bill
Number: 2018-H-7636**

Date of State Budget Office Approval:

Date Requested: Monday, March 12, 2018

Date Due: Thursday, March 22, 2018

Impact on Expenditures

FY 2018	\$0
FY 2019	~\$98,000 (GR)
FY 2020	~\$444,000 (GR)

Impact on Revenues

FY 2018
FY 2019
FY 2020

**Explanation by State
Budget Office:**

Section 1 of H-7636 amends Sections 28-12-3 and 28-12-5 of the General Laws relating to minimum wages. Current law increased the minimum wage to \$10.10 per hour on January 1, 2018 and increases it again to \$10.50 per hour on January 1, 2019. H-7636 increases it to \$11.00 per hour on January 1, 2019, and then a further \$1.00 incremental increase each subsequent January 1 until 2024, upon which the increase would be tied to the percentage increase in cost of living.

Section 1 also increases the minimum cash wage to be provided to employees that receive gratuities and for which employers wish to deduct for those gratuities. Current law requires a minimum of \$3.89 per hour as of January 1, 2017. H-7636 increases it to \$5.00 per hour on January 1, 2019, and then a further \$1.25 incremental increase each subsequent January 1 until 2027, when the wage would be a minimum \$15.00 per hour. Beginning January 1, 2028, the minimum cash wage hourly rate will be no less than the prevailing regular minimum wage hourly rate.

Section 2 of H-7636 amends Sections 28-14-19 and 28-14-19.2 of the General Laws relating to enforcement powers and duties of the Director of the Department of Labor and Training (DLT) relating to wages. First, it changes the requirement that a hearing shall be scheduled within thirty (30) days of the determination that a formal complaint is just and valid (rather than within thirty days of receiving a complaint). Secondly, it changes the amount of a civil penalty to three (3) rather than two (2) times the total wages and/or benefits found to be due. Lastly, the bill removes language that allows for a civil action to be filed in place of the complaint and hearing procedures noted in those sections of the law.

**Comments on
Sources of Funds:**

DEM seasonal employees are funded through general revenue. DOT interns are funded through federal and state funds; the state-funded portion is from DOT's share of gas tax revenues.

**Summary of Facts
and Assumptions:**

For the purposes of this fiscal note, which details the impact to state expenditures and revenues, it is assumed that only Section 1 of H-7636 will have a fiscal impact.

The state does employ a number of seasonal employees that are paid hourly; the primary agencies affected include the Department of Environmental Management (DEM), which annually hires approximately 550 seasonal employees to staff beaches and parks, and the Department of Transportation (DOT), which hires nearly 100 summer and year-round interns each year. Other departments and agencies also employ interns, but in smaller amounts; as such, these are not addressed in this fiscal

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note.

Based on FY 2016 actuals, DEM hires approximately 550 seasonal employees that work anywhere between the months of March and October. These jobs include lifeguards, park rangers, maintenance workers, and interns, among others. Many of these jobs have three tiers of wages, depending on the employee's experience. Some jobs have bottom tier hourly rates that are equal to the current minimum wage hourly rate. If the minimum wage increases, it is assumed that not only will those jobs increase their hourly rates, but all DEM seasonal job hourly rates will increase by the same or similar amount to ensure parity.

Also based on FY 2016 actuals, DEM seasonal employees work approximately 400,000 hours total throughout the year. Approximately 40% of those hours are worked between the months of March and June; the remaining 60% is worked between the months of July and October.

DOT currently budgets for 95 interns, ten (10) of which are year-round co-op students that work 16-hour weeks. The remainder are employed from approximately Memorial Day through Labor Day and work 35-hour weeks. Hourly rates for interns vary depending on the division and also have three tiers, depending on experience. Some of these hourly rates are equal to the current minimum wage hourly rate. It is assumed that not only those rates will increase, but all DOT intern hourly rates will increase by the same amount to ensure parity.

Approximately 52 of DOT's summer interns are federally funded, in which the state usually provides a 20% match. The other 33 interns, as well as the 10 year-round interns, are completely state-funded.

In addition to wages for seasonal employees and interns, the state is also responsible for payroll taxes (FICA) and assessed fringe benefits associated with paid wages. Seasonal employees at DEM also incur overtime and holiday pay expenses. Both of these generally average to approximately 10% of regular wages.

*Summary of Fiscal
Impact:*

Assuming that DEM seasonal employees work approximately 400,000 hours per year, the incremental fiscal impact to general revenue expenditures would be as follows:

FY 2018 – No impact (increase occurs in FY 2019)

FY 2019 – \$80,000 in wages + \$10,000 in benefits for March through June of FY 2019

FY 2020 - \$360,000 in wages + \$45,000 in benefits for full FY 2020

Each subsequent year with a \$1.00 increase to the hourly rate would result in approximately \$400,000 additional incremental expenses to wages (plus associated benefits).

Not included in the impact above is the effect on overtime and holiday pay, which would be approximately as follows:

FY 2018 – No impact

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FY 2019 - \$8,000 in overtime/holiday pay + \$600 in benefits
FY 2020 - \$36,000 in overtime/holiday pay + \$3,000 in benefits

Each subsequent year with a \$1.00 increase to the hourly rate would result in approximately \$40,000 additional incremental expenses to overtime/holiday pay.

Assuming that DOT interns work approximately 50,000 hours per year, the incremental fiscal impact to state gas tax expenditures would be as follows:

FY 2018 - No impact
FY 2019 - \$18,000 in wages + \$2,000 in benefits
FY 2020 - \$47,000 in wages + \$6,000 in benefits

The incremental fiscal impact to federal expenditures would be as follows:

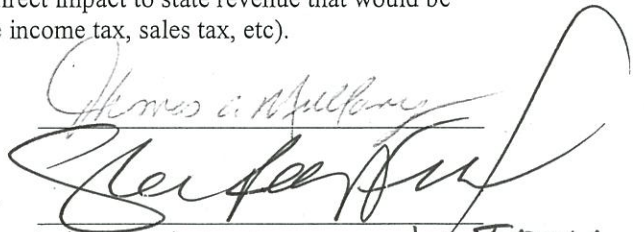
FY 2018 - No impact
FY 2019 - \$13,000 in wages + \$1,500 in benefits
FY 2020 - \$33,000 in wages + \$4,000 in benefits.

The FY 2018 Enacted Budget includes funding for an increase to minimum wage of \$0.50, from \$9.60 to \$10.10, on January 1, 2018. Current law increases the hourly rate by \$0.40 per hour, from \$10.10 to \$10.50, on January 1, 2019. The Governor's FY 2019 Recommended Budget already includes this increase for DEM seasonal employees. The impacts listed above are relative to current law.

Of note, DOT is currently in the process of raising its intern hourly rates to well above the minimum wage. If this change takes effect, the impacts noted above would not apply. If DOT is successful in implementing its proposed changes, these would actually have a greater impact on DOT state gas tax and federal expenditures.

This fiscal note does not address any indirect impact to state revenue that would be generated from higher wages (more state income tax, sales tax, etc).

Budget Office Signature:



Fiscal Advisor Signature:

* NOTE: DIRECT IMPACT to state Agencies that pay minimum wage is the only calculation here

