

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-0287/1	Introduction Number AB-0814
Description a state minimum wage, permitting the enactment of local minimum wage ordinances, extending the time limit for emergency rule procedures, providing an exemption from emergency rule procedures, providing an exemption from rule-making procedures, and requiring the exercise of rule-making authority	
Fiscal Effect State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
Local: <input checked="" type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
Fund Sources Affected Affected Ch. 20 Appropriations <input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input checked="" type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input checked="" type="checkbox"/> SEGS	
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Date 1/25/2018	

Fiscal Estimate Narratives

UWS 1/25/2018

LRB Number	17-0287/1	Introduction Number	AB-0814	Estimate Type	Original
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Assumptions Used in Arriving at Fiscal Estimate

This proposed legislation would increase minimum wage over the course of six years from the current \$7.25/hour to \$15.00/hour. Further minimum wage increases would then be calculated as a percent of difference between the current and previous year consumer price index.

In order to provide a cost estimate for the proposed legislation, data was queried from the October, 2017 UW System payroll. This included any staff currently at an hourly rate of less than \$15.00/hour. This query included all staff types. The estimate worksheet shows the estimated cost by year for:

- Permanent staff (these individuals would be eligible for pay plan. Current rates were increased by the 2018-19 proposed pay plan prior to calculation)
- LTE Staff (used current rates of LTEs)
- Student Help (used current rates of Student Help)

The estimate was generated for each specific effective date by calculating proposed new hourly rate less current rate for each individual, multiplied by 2080 (full-time), divided by the appointment percent for each individual to arrive at an annualized cost. Variable fringe benefit costs were added at the current DOA approved rates of 15.75% for Permanent and LTE staff and 1.91% for Student Help. In some cases, individual hourly rates more than double over the six years.

The total salary and fringe cost of the increases over six years is estimated at over \$79 million.

Year one cost: \$2.4 million
Additional cost in year two: \$9.5 million
Additional cost in year three: \$16.1 million
Additional cost in year four: \$19.1 million
Additional cost in year five: \$15.5 million
Additional cost in year six: \$17 million
Total: \$79.6 million

The salary and fringe increases cross all funding sources with \$16.1 million coming from GPR/Fee. The largest dollar impact of the increases is in Program Revenue (PR). The cost of salary and fringe increases on PR is \$49 million. This funding source includes, segregated fees, tuition, gifts, and contracts. Federal funding sources are also impacted at \$14.5 million. Due to the contractual nature of federal funds, in most cases it is not possible to simply increase budgets to accommodate salary increases and can result in an inability to complete all contracted work.

As the largest employer for the State of Wisconsin, this proposed legislation will have a significant impact on the UW System. Increases of this magnitude will result in salary compression issues for staff currently above but close to the \$15/hour rate. The worksheet provides a complete breakdown of costs by year and funding source and by year and staff type.

Long-Range Fiscal Implications

Estimated Costs by Fund Source and Year

Fund Source	\$7.25 to \$8.50	\$8.50 to \$10.00	\$10.00 to \$11.50	\$11.50 to \$13.00	\$13.00 to \$14.00	\$14.00 to \$15.00	Total
GPR/Fee	\$387,505	\$1,561,833	\$2,756,581	\$3,800,196	\$3,484,358	\$4,064,685	\$16,055,159
PR	\$1,422,084	\$6,144,809	\$10,402,612	\$11,961,207	\$9,206,557	\$9,917,255	\$49,054,524
PR-F	\$610,604	\$1,833,377	\$2,925,437	\$3,335,662	\$2,760,571	\$2,994,385	\$14,460,036
PR-S			\$170	\$700	\$530	\$971	\$2,370
SEG		\$1,759	\$15,386	\$21,941	\$17,511	\$22,356	\$78,953
	\$2,420,193	\$9,541,778	\$16,100,185	\$19,119,706	\$15,469,527	\$16,999,652	\$79,651,042

Estimated Cost by Fund Source and Staff Type

Fund Source	Permanent	LTE	Student Help	Total
GPR/Fee	\$ 3,477,453	\$482,747	\$12,094,959	\$16,055,159
PR	\$ 2,621,132	\$1,365,354	\$45,068,038	\$49,054,524
PR-F	\$ 1,145,169	\$390,782	\$12,924,085	\$14,460,036
PR-S	\$ 441		\$1,929	\$2,370
SEG	\$ 1,902	\$7,373	\$69,678	\$78,953
	\$ 7,246,097	\$ 2,246,256	\$ 70,158,688	\$ 79,651,042