

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

| | |
|------------------------------------|---|
| LRB Number 23-5704/1 | Introduction Number SB-1038 |
|------------------------------------|---|

Description
 a state minimum wage, allowing the enactment of local minimum wage ordinances, and granting rule-making authority

Fiscal Effect

State:

- | | | |
|---|--|--|
| <input type="checkbox"/> No State Fiscal Effect | <input type="checkbox"/> Increase Existing Revenues | <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget |
| <input checked="" type="checkbox"/> Indeterminate | <input checked="" type="checkbox"/> Decrease Existing Revenues | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Increase Existing Appropriations | | <input type="checkbox"/> Decrease Costs |
| <input type="checkbox"/> Decrease Existing Appropriations | | |
| <input type="checkbox"/> Create New Appropriations | | |

Local:

- | | | |
|--|--|---|
| <input type="checkbox"/> No Local Government Costs | | |
| <input checked="" type="checkbox"/> Indeterminate | 5. Types of Local Government Units Affected | |
| 1. <input type="checkbox"/> Increase Costs | 3. <input type="checkbox"/> Increase Revenue | <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities |
| <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> Counties <input type="checkbox"/> Others |
| 2. <input type="checkbox"/> Decrease Costs | 4. <input type="checkbox"/> Decrease Revenue | <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |
| <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | |

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR
 FED
 PRO
 PRS
 SEG
 SEGS
 20.445(1)(o)

| | | |
|--------------------------------|--------------------------------|-------------|
| Agency/Prepared By | Authorized Signature | Date |
| DWD/ Erin Blair (608) 405-4657 | Jennifer Sereno (608) 267-9692 | 4/1/2024 |

Fiscal Estimate Narratives

DWD 4/1/2024

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|---|-----------|---------------------|---------|---------------|----------|
| LRB Number | 23-5704/1 | Introduction Number | SB-1038 | Estimate Type | Original |
| Description a state minimum wage, allowing the enactment of local minimum wage ordinances, and granting rule-making authority | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

This bill raises the minimum wage rate in current state law for most employees from \$7.25 per hour to \$10.85 per hour on the first effective date of the bill for 12 months, and then raises it to \$15 per hour starting one year after the effective date of the bill. After 24 months from the bill's first effective date, the Department of Workforce Development (DWD) is required to annually adjust the minimum wage to account for increases in the consumer price index (CPI). The bill requires DWD to annually calculate the percentage change between the two most recently completed 12-month CPI periods and adjust the minimum wage by applying the calculated percentage change in the CPI, rounding to the nearest 5 cents, and then publishing it on the department's website. Additionally, the bill repeals provisions that:

- Establish lower minimum wages for tipped employees;
- Require DWD to promulgate rules governing the counting of tips or similar gratuities toward the payment of minimum wage;
- Set specific meal and lodging allowances; and
- Set minimum wages for minor, opportunity, agricultural, and other employees.

DWD is required to establish the minimum wage for those employees by rule.

Finally, the bill eliminates the prohibition for a city, village, town, or county from enacting and administering an ordinance establishing a minimum wage.

The department anticipates the bill would increase the workload related to minimum wage oversight. For the purposes of this fiscal estimate, the department assumes that the additional workload would be addressed by reallocating existing resources, resulting in a reduction of resources available for Equal Employment Opportunities Commission (EEOC) related complaint resolution. The estimated decrease to EEOC revenues is indeterminate at this time.

To estimate one component of the bill's fiscal effect, DWD reviewed minimum wage related complaint levels from 2018 to 2023. During this period, minimum wage was static, but Wisconsin's median hourly wages increased. The data for this period indicate that as the gap between minimum and median wage grows, the number of complaints decrease. In 2018, the minimum wage was \$7.25 and median wage was \$18.25 and DWD's Equal Rights Division (ERD) received 144 complaints. During 2023, the minimum wage was \$7.25 per hour and the median wage was \$22.72, and ERD received 53 minimum wage complaints. If the minimum wage is increased, the department anticipates an initial surge in the number of wage claims that could last between one to two years as employers and employees gain awareness about the new minimum wage requirements. In addition, the department assumes that complaint levels will continue to be materially higher than the 2023 level, as the bill mandates that the department make annual changes to the minimum wage rate based on the CPI.

Implementing the bill requirement to annually revise the minimum wage is anticipated to require minimal staff time and be an absorbable cost. However, the department also anticipates the need for an increase in expenditures for outreach to employers and employees about these changes. Outreach costs would be covered by the department's base level General Purpose Revenue (GPR) budget and are anticipated to include staff time for education and advertising on various media platforms. These outreach costs are anticipated to be material but indeterminate because the specific scope of education and advertising needs and corresponding costs have not been identified. It is worth noting that costs are likely to be higher in the early years of implementation. Because the department's base level GPR funding is fully subscribed, DWD assumes that covering costs related to the anticipated increase in complaints and outreach will be met through a reprioritization process that evaluates staff assignments in relation to all complaint types received by ERD.

The reprioritization process for addressing the additional workload is anticipated to increase the average time needed to complete case resolutions, resulting in a reduction to ERD's annual completed caseload counts that generate federal revenues of \$830 per completed case from the EEOC reimbursement contract. These

revenues are received in appropriation s. 20.445(1)(o). The department is unable to estimate the bill's impact on EEOC federal revenue, but the reduction is anticipated to be material.

Local government counterparts to ERD may experience an increase in wage related complaints which may necessitate additional staff. Local governments may also need to update documentation and publications including official documents and may choose to explore options for development and implementation of local ordinances. These costs are currently indeterminate.

Long-Range Fiscal Implications