

# **SOUTH DAKOTA LEGISLATIVE RESEARCH COUNCIL**

## **FISCAL NOTE, 2015 LEGISLATIVE SESSION**

### **FISCAL NOTE 2015-SB177A**

SB177 is an act to establish a youth minimum wage.

On November 4, 2014, the citizens of South Dakota passed Ballot Initiative Number 18. This measure amended South Dakota Codified Law (SDCL) 60-11-3 and raised the minimum wage for workers in the state from \$7.25 to \$8.50 per hour with an annual inflation adjustment. This went into effect January 1, 2015.

Senate Bill 177 establishes a second minimum wage for those employees under age eighteen in the amount of seven dollars and fifty cents per hour. The wage is not subject to the annual inflation adjustment pursuant to SDCL 60-11-3.2.

### **Supporting Data**

Fiscal notes were obtained from the following states that have recently proposed minimum wage changes:

#### **Minnesota**

A fiscal note from the state of Minnesota regarding HF 92 in their 2013 legislative session adjusted the minimum wage effective August 1, 2013. Large employers (annual gross sales volume of \$500,000 or more) must pay at least \$8 an hour. Small employers (annual gross sales volume of \$500,000 or less) must pay at least \$7.00 an hour. The youth wage rate is at least \$6.50 an hour paid to employees younger than 20 years of age. The fiscal note indicated that the Minnesota Department of Labor and Industry would notify employers regarding the adjusted minimum hourly wage rate through mailings. An estimated 140,000 employers at the cost of \$.50 each would require \$70,000 per year.

#### **New Mexico**

A fiscal note from the state of New Mexico regarding HB 180 in their 2015 legislative session proposes to cover individuals 18 and younger under the New Mexico Minimum Wage Act. The Act currently excludes individuals under the age of 18 from the definition of "employee," thereby permitting employers to pay them less than the statewide minimum wage. The fiscal note indicated that the New Mexico Workforce Solutions Department (WSD) will have a \$5,000 impact on the operating budget of the Labor Relations Division to update website information, Wage and Hour employer and employee presentations and all WSD publications.

### **Fiscal Impact**

The South Dakota Department of Labor & Regulation currently enforces the minimum wage law through investigations driven by complaints. There is 1.0 FTE who is the Wage and Hour Investigator. This position is the primary contact for questions and is responsible for investigating claims of unpaid wages, along with a variety of other responsibilities with regard to wages. An average of 225 wage and hour complaints are dealt with each year. This may include the following types of complaints: minimum wage not paid, failure to pay employee, or other wage violations.

Should SB177 go into effect, the South Dakota Department of Labor & Regulation (DLR) stated that they could complete the following:

- 1) The information would be posted to the DLR website and social media;
- 2) DLR would issue a news release;
- 3) A fact sheet would be created, and their local offices would share this information with businesses, employers, and interested parties in their communities; and
- 4) The Unemployment Insurance Division periodically sends out notifications to roughly 26,000 employers. If needed, the Labor and Management Division could include a statement notifying these 26,000 employers of any potential changes.

**The DLR indicated that there would be no additional cost for public relations efforts should the minimum wage law change.**

The South Dakota Bureau of Human Resources (BHR) provided the number of state employees under age 18 that could potentially be impacted by SB177. Refer to the chart below for an explanation of the 140 employees, their hourly wages, and hours worked per year.

	Executive Branch - Employees aged 17 or under	Hourly wage PRIOR to 1/1/15	Hourly wage AFTER 1/1/15	SB177 wage	Current hourly wage less SB177 proposed wage	Average Annual hours worked per Employee	TOTAL Hours Worked per Year	Potential SB177 Savings
1	Seasonal employee	\$10.00	\$10.00	n/a	n/a			
1	Seasonal employee	\$10.50	\$10.50	n/a	n/a			
2	Temporary employee	\$8.25	\$8.50	\$8.25	\$0.25	250	500	\$125
136	Residents/patients/court appointed youth working at HSC, the Development Center, or the Vets Home	\$7.25	\$8.50	\$7.50	\$1.00	200	27,200	\$27,200
140								<b>\$27,325</b>

**If the agency chose to adjust these employees to the greater of their prior pay rate or the \$7.50 minimum wage proposed in SB177, the estimated fiscal impact of this bill is a reduction of \$27,235 in state expenditures.**

APPROVED BY: \_\_\_\_\_ /s/ Jason Hancock \_\_\_\_\_ DATE: \_\_\_\_\_