

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1545H.01I  
Bill No.: HB 726  
Subject: Labor and Management; Employees - Employers; Salaries; Business and  
Commerce  
Type: Original  
Date: February 19, 2021

---

Bill Summary: The proposal modifies provisions relating to the state minimum wage rate.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Oversight notes that public employers are currently exempt from the incremental annual increase in the minimum wage (by \$0.85 each year until it reaches \$12.00 per hour effective January 1, 2023)

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>			

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

**FORMCHECKBOX**

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Labor and Industrial Relations, Attorney General's Office, Office of Administration – Administrative Hearing Commission, Office of Administration – Budget & Planning, Department of Higher Education and Workforce Development, Department of Corrections, Department of Public Safety – Alcohol & Tobacco Control, Capital Police, Fire Safety, Director's Office, National Guard, Highway Patrol, Veterans Commission, State Emergency Management Agency, Department of Social Services, Missouri Department of Agriculture, Missouri Ethics Commission, Missouri Department of Transportation, MoDOT & Patrol Employees' Retirement System, Office of Administration – Commissioner's Office, Office of the Secretary of State, Office of the State Public Defender, Petroleum Storage Tank Insurance Fund, Office of the Governor, Office of the State Auditor, Missouri House of Representative, Joint Committee on Administrative Rules, Joint Committee on Public Employee Retirement, Joint Committee On Education, Legislative Research, Oversight Division, Missouri Senate, Missouri Lottery, Missouri Consolidated Health Care Plan, Missouri Higher Education Loan Authority, Missouri State Employee's Retirement System, Office of the State Courts Administrator, and State Tax Commission** each assume the proposal would not have a direct fiscal impact on their organization.

Officials from the **Office of Administration (OA)** assume the proposal would not have an impact on their respective organization.

**Oversight** notes that officials from OA noted, in further discussion regarding this proposal that the proposal repeals the minimum wage increases that were enacted in 2018, and instead sets the minimum wage at \$6.50 or the federal rate, whichever is higher, plus cost of living increases. It is assumed this would result in a lower minimum wage than currently exists. This bill would impact state contractors and subcontractors, but it would not impact the amount that the state pays in most instances. State contracts generally include fixed prices for the contract term, so there would not be any fiscal impact to the state, positive or negative, until a contract is rebid. It would not be possible to accurately calculate an impact to contract prices because of market forces that might impact the rates contractors charge state agencies. It seems likely that contractors will continue to pay the current minimum wage rather than cut pay for employees.

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Officials form the **Department of Commerce and Insurance, Department of Health and Senior Services Department of Mental Health, and Department of Natural Resources** each defer to Office of Administration for fiscal impact.

SEQ CHAPTER \h \r 1

Officials from the **Missouri State University, State Technical College of Missouri, University of Central Missouri, and Missouri University** each assume the proposal would not have a direct fiscal impact on their organization.

Officials from the **City of Kansas City, City of O’Fallon, City of Springfield, City of Saint Louis – Budget Division, High Point R-III School, and Springfield R-XII School** each assume the proposal would not have a direct fiscal impact on their organization.

Officials from the **Missouri Department of Conservation (MDC)** assume the proposal would have an Unknown negative fiscal impact but likely more than \$100,000.

Officials from the **State Technical College of Missouri** assume the proposal would have a positive fiscal impact on the College.

Official from **Department of Elementary and Secondary (DESE)** assume the proposal could result in minimal cost savings to the department. However, there are several factors that would play into this result and the department has no way of predicting the outcomes of those other factors.

**Oversight** notes that RSMo 290.500 1. (1) states: “Any Individual who is employed in any government position, and further explained under 29 U.S.C. §§ 203(e)(2)(C)(i)-(ii) included in this subsection, employed by the State Government and Political Subdivisions, would be presumably excluded.” Additionally, as provided by officials from OA, there is no way to calculate the possible positive fiscal impact it may have for subcontractors, and contractors of such an entities. Therefore, Oversight will reflect zero impact to Other State Funds and Political Subdivisions on the fiscal note.

Oversight Assumption:

**Urban Wage Earners and Clerical Workers (CPI-W): All Items, 1982-84=100 C**

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
2008	206.7440	207.2540	209.1470	210.6980	212.7880	215.223	216.304	215.247	214.935
2009	205.7000	206.7080	207.2180	207.9250	208.7740	210.972	210.526	211.156	211.322
2010	212.5680	212.5440	213.5250	213.9580	214.1240	213.839	213.898	214.205	214.306
2011	216.4000	217.5350	220.0240	221.7430	222.9540	222.522	222.686	223.326	223.688
2012	223.2160	224.3170	226.3040	227.0120	226.6000	226.036	225.568	227.056	228.184
2013	226.5200	228.6770	229.3230	228.9490	229.3990	230.002	230.084	230.359	230.537
2014	230.0400	230.8710	232.5600	233.4430	234.2160	234.702	234.525	234.033	234.170
2015	228.2940	229.4210	231.0550	231.5200	232.9080	233.804	233.806	233.366	232.661
2016	231.0610	230.9720	232.2090	233.4380	234.4360	235.289	234.771	234.904	235.495
2017	236.8540	237.4770	237.6560	238.4320	238.6090	238.813	238.617	239.448	240.939
2018	241.9190	242.9880	243.4630	244.6070	245.7700	246.196	246.155	246.336	246.565
2019	245.1330	246.2180	247.7680	249.3320	249.8710	249.747	250.236	250.112	250.251
2020	251.3610	251.9350	251.3750	249.5150	249.5210	251.054	252.636	253.597	254.004

Source: [https://www.bls.gov/regions/mid-atlantic/data/consumerpriceindexhistorical\\_us\\_table.htm](https://www.bls.gov/regions/mid-atlantic/data/consumerpriceindexhistorical_us_table.htm)

**Oversight** used the formula promulgated within statute (September to September CPI change) to calculate the actual rate as follows:

Example:

Each year, successive to 2007, Oversight began with base of \$6.50 and added the annual change multiplied by the base [ $\$6.50 + (6.50 \times 0.06188)$ ]. By 2018 the Minimum wage, while using CPI-W, was \$7.85.

Missouri Minimum wage prior to the last change in which the minimum wage is calculated was \$7.85 per hour as shown below:

2018 Minimum wage = \$7.61+ (7.61\*0.03159[CPI-W annual change from 2017]) = \$7.85

CY	Annual Changes CPI-W		
	With DOLIR history estimates combined with CPI -W	Annual Adj. CPI-W	US Labor MO-Minimum Wage History - Actual State Minimum Wage
	6.50	6.50	6.50
2008	6.90	6.90	6.65
2009	6.73	6.72	7.05
2010	7.25	6.83	7.25
2011	7.25	7.11	7.25
2012	7.25	7.20	7.25
2013	7.38	7.34	7.35
2014	7.51	7.48	7.50
2015	7.65	7.46	7.65
2016	7.65	7.49	7.65
2017	7.76	7.61	7.70
2018	7.96	7.85	7.85
2019	8.07	7.98	9.45
<b>2020</b>	<b>8.13</b>	<b>8.06</b>	<b>10.30</b>

Source: <https://www.dol.gov/agencies/whd/state/minimum-wage/history>

The current law provides for a maximum minimum wage of \$12.00 (increased over time by \$0.85 annually from \$8.50 at the beginning of the process). Oversight notes that the current proposal, if passed, would provide future savings of \$4.15 (\$12.00 – \$7.85) for all Missouri employer.

**Oversight** notes that currently the Missouri State Minimum Wage is \$10.30 and has a potential to raise to maximum of \$12.00 (\$10.30 in 2021, \$11.15 in 2022, and \$12.00 in 2023); therefore, Oversight will note the small business will be able to realize some savings due to being able to pay lower wage to its employees.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other state agencies, colleges, universities, cities, and counties were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Small businesses that pay at or near the minimum wage could be impacted by this proposal.

FISCAL DESCRIPTION

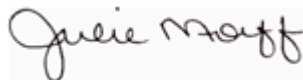
This bill removes the current graduated minimum wage increase to \$12.00 on January 2023, and ties the Missouri minimum wage to the federal minimum wage, with increases or decreases annually based on the cost of living.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

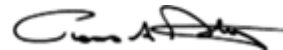
SOURCES OF INFORMATION

- Department of Labor and Industrial Relations
- Attorney General’s Office
- Office of Administration – Administrative Hearing Commission
- Office of Administration – Budget & Planning
- Department of Higher Education and Workforce Development
- Department of Correction
- Department of Public Safety
- Alcohol & Tobacco Control
- Capital Police
- Fire Safety
- Director’s Office
- National Guard
- Highway Patrol
- Veterans Commission
- State Emergency Management Agency

Department of Social Services  
Missouri Department of Agriculture  
Missouri Ethics Commission  
Missouri Department of Transportation  
MoDOT & Patrol Employees' Retirement System  
Office of Administration  
Office of the Secretary of State  
Office of the State Public Defender  
Petroleum Storage Tank Insurance Fund  
Office of the Governor, Office of the State Auditor  
Missouri House of Representative  
Joint Committee on Administrative Rules  
Joint Committee on Public Employee Retirement  
Joint Committee on Education  
Legislative Research  
Oversight Division  
Missouri Senate  
Missouri Lottery  
Missouri Consolidated Health Care Plan  
Missouri Higher Education Loan Authority  
Missouri State Employee's Retirement System  
Office of the State Courts Administrator  
State Tax Commission  
Department of Commerce and Insurance  
Department of Health and Senior Services  
Department of Mental Health  
Department of Natural Resources  
Missouri State University  
State Technical College of Missouri  
University Of Central Missouri  
Missouri University  
Missouri Department of Conservation  
Department of Elementary and Secondary Education



Julie Morff  
Director  
February 19, 2021



Ross Strobe  
Assistant Director  
February 19, 2021