

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 2324 - SB 2319**

March 8, 2016

**SUMMARY OF BILL:** Creates a \$10.00 minimum wage for all employees. Authorizes the Department of Labor and Workforce Development (DLWD) to investigate and ascertain the wages of any employee and enter and inspect the place of business of any employer for the purpose of inspecting the payroll records of the employer. Creates a Class B misdemeanor punishable by a fine of not less than \$100 nor more than \$500 for violation of the provisions of the bill. Creates a civil violation for second and subsequent violation of the provisions of the bill. Gives the Commissioner of the DLWD sole discretion whether to proceed with a warning, criminally, or civilly. Creates a civil cause of action for employees and employers relative to the provisions of the bill.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – Exceeds \$18,000/One-Time  
Exceeds \$4,169,000/Recurring**

**Increase Local Expenditures – Exceeds \$200,000/Recurring\***

Assumptions:

- The Department of Human Resources (DOHR) reports a total of 1,563 current state employees that will require a wage increase as a direct result of this bill.
- Based on information provided by the DOHR, the recurring increase in state expenditures as a result of such wage increase is estimated to be at least \$3,719,000.
- The impact to local government expenditures is dependent on several unknown factors such as the number of local government employees that will be impacted by the bill, the extent in which each employee's wage must be raised to meet the requirements of the bill, the extent of any change in the number of hours that each employee works in a year, and whether local governments will decide to reduce their total number of employees as a result of higher wage expenses.
- Given the extent of unknown factors, a precise estimate for local government expenditures is difficult to determine. However, and based on the estimated impact to state government expenditures, the mandatory recurring increase in local government expenditures is reasonably estimated to exceed \$200,000 per year as a result of increased wage expense to local government employees.

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- The net impact to state and local government revenue is estimated to be not significant. This assumes additional state and local sales tax collections for state and local governments respectively as a result of impacted employees spending a higher wage within the economy; however, any such impact is assumed to be offset by other reductions in state and local business tax collections occurring as a result of reduced net income for impacted business owners occurring as a result of paying higher wage expense.
- There will not be a sufficient number of minimum wage resolution cases for state or local government to experience any significant increase in revenue or expenditures.
- DLWD does not currently investigate, process or penalize infractions related to minimum wage violations. To perform the provisions of the bill, the Department will require additional staffing resources.
- The DLWD will require a minimum of three additional employees for each grand division for a total of nine new positions.
- The recurring increase in state expenditures for salaries, benefits, supplies, and travel expenses for each investigator position is reasonably estimated to exceed \$50,000.
- The recurring increase in state expenditures related to additional employees is estimated to exceed \$450,000 (9 x \$50,000).
- The total recurring increase in state expenditures is estimated to exceed \$4,169,000 (\$3,719,000 + \$450,000).
- There will be a one-time state expenditure of at least \$2,000 for each position estimated to exceed \$18,000 (\$2,000 x 9 positions).
- It is reasonably assumed that any businesses found to violate the provisions of the bill will be issued a warning, and subsequently fall in to compliance with the minimum wage requirements. Any fine revenue is considered to be not significant.

## **IMPACT TO COMMERCE:**

**Increase Business Revenue – Exceeds \$50,000**

**Increase Business Expenditures – Exceeds \$100,000**

**Jobs Impact – Net Impact - Not Significant**

Assumptions:

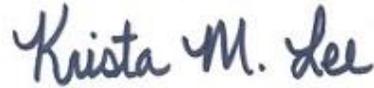
- The extent of any increased business expenditures is dependent upon several unknown factors such as the number of Tennessee business entities impacted by the bill, the number of employees that will receive the pay increase, and the extent of any change in the number of hours that such employees work in a year, and whether the impacted business decides to reduce their total number of employees as a result of higher wage expenses. Given these unknowns, determining a precise estimate for increased business expense is difficult. However, the cumulative and recurring increase in business

expense for Tennessee businesses is reasonably estimated to exceed \$100,000 per year statewide.

- A portion of the additional wages paid as a result of this bill will be spent in the Tennessee economy. As a result, other Tennessee businesses will experience an increase in business revenue as the additional income is spent in the Tennessee economy. Assuming at least 50 percent of such additional income is spent with Tennessee businesses, the increase in business revenue is reasonably estimated to exceed \$50,000 per year.
- Given that wage expenses will increase for some employers, this could result in some companies reducing their number of employees to account for the higher wages. However, the additional wages being spent in the economy may increase demand for goods and services within the economy, thereby increasing the number of jobs for other businesses. The net impact to the number of Tennessee jobs is considered not significant.

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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