TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 1797 - HB 2551

May 5, 2020

SUMMARY OF BILL: Requires the Commissioner of the Department of Labor and Workforce Development (DLWD) to set a minimum hourly wage rate for state employees, equal to no less than $15 per hour, adjusted annually to reflect inflation in accordance with the consumer price index (CPI). Establishes a cause of action for such employees, if the state violates minimum hourly wage rate. Sets the wage rate paid to blind persons employed by the state to the greater of the state minimum hourly wage rate or the federal minimum wage.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures –
$37,270,200/FY20-21/General Fund
Exceeds $37,270,200/FY21-22 and Subsequent Years/General Fund

Exceeds $1,000,000/FY21-22 and Subsequent Years/
Higher Education Institutions

Assumptions:

- The Department of Human Resources (DOHR) reports a total of 4,556 current state employees that will require a wage increase as a direct result of this legislation.
- Based on information provided by DOHR, the recurring increase in state expenditures as a result of such wage increase is estimated to be $37,270,235 in FY20-21.
- Annual adjustments will increase recurring state expenditures every year there is an increase in the CPI; therefore, the recurring increase in state expenditures is reasonably estimated to exceed $37,270,235 in FY21-22 and subsequent years.
- The University of Tennessee System, Locally Governed Institutions, and Tennessee Board of Regents Institutions will require additional expenditures for increase payroll and increased contract employee costs. The total recurring increase in state expenditures for institutions of higher education is reasonably estimated to exceed $1,000,000.
- 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.

- Any fiscal impact to the DLWD for the Commissioner to determine the appropriate minimum wage is estimated to be not significant.
- 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.
- Based on a 2011 article in the Employee Rights and Employment Policy Journal entitled "Enforcement of State Minimum Wage and Overtime Laws: Resources, Procedures, And Outcomes," the states of Georgia and Texas use the private right of action to enforce their state minimum wage laws.
- The provisions of the legislation do not specifically require DLWD to enforce or investigate minimum wage violations.
- For purposes of the fiscal note, it is assumed the private right of action, much in the same manner as Georgia and Texas, will be the enforcement mechanism for the provisions of the legislation.

CERTIFICATION:

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

Krista Lee Carsner

Krista Lee Carsner, Executive Director

/jdb