Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
Establishes tiered system for determination of minimum wage based on size and geographic location of employer.

Government Unit(s) Affected:
Cities, Counties, Legislative Administration Committee (LAC), School Districts, Special Districts, Statewide

Summary of Expenditure Impact:
See Analysis below.

Local Government Mandate:
This bill may affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:
The bill changes the effective date of the measure. As such, it does not change the fiscal impact from the information provided for SB 1532-A, included below.

The bill increases the state minimum wage over a seven year period from the current $9.25 to $13.50. In addition, the bill provides that employees working within a metropolitan service district organized under ORS chapter 268 (Portland metropolitan area) will receive a minimum wage increase to $11.25 per hour beginning in July 2017, increasing to $14.75 by 2022, and, thereafter, the wages must be at least $1.25 per hour more than the statewide minimum wage. The measure also provides for a third schedule of increases for specified nonurban counties which increases the minimum wage from the current $9.25 to $12.50 by 2022, and, thereafter, the minimum wage must be no less than $1 per hour less than the statewide minimum wage amount.

The cost to increase the minimum wage as provided in the bill is indeterminate because it is impossible to know exactly how many people in state and local government will be in positions paying less than that amount by the time the minimum wage increase is phased in. The Legislative Fiscal Office (LFO) recently issued a publication on this issue which discussed the fiscal effects of an increase from the current $9.25 minimum wage level to both a $13.50 and $15.00 per hour minimum wage. The publication also highlighted other issues that may arise when there are increases in the minimum wage. Fiscal information in that publication did not take into account phase-in dates, regional differentiations, or other details that are included in this measure, but was intended to provide general context. As a result, the data provided in that publication will not match the data provided by state agencies and local governments as they analyzed the effects of this measure.

Based on information from state agencies compiled by the Department of Administrative Services (DAS) for the -5 version, the direct cost for an increase in the wages of state employees making minimum wage would be approximately $33,000 - $99,000 total funds in 2015-17 and $48,000 - $340,000 total funds in 2017-19. (For context, the total funds state budget for personal services in 2015-17 is $7.2 billion.) DAS was unable to update the information for the fiscal changes as a result of the -13 amendments, but notes that it would likely result in the low end of the range of costs becoming lower due to the provisions relating to nonurban counties. The reason that the range of potential costs is so wide is due to the methodology used to estimate the costs associated with the differential in the minimum wage in the Portland metropolitan area and in the specified nonurban counties. DAS does not have data that indicates how many of the affected employees work within these areas and, therefore, the low end of the range shown above is based on the assumption that there would be no affected employees in the metropolitan area and the nonurban counties, and the high end assumes that all affected employees work in the Portland metropolitan area. Since most state employees work outside of the Portland area and some work in the nonurban counties, it is likely that the actual costs will be closer to the lower end rather than the higher end of the range provided by DAS. DAS also points out that some agencies may incur technology costs to update systems to accommodate the minimum wage changes. The three agencies that are anticipated to have the most issues in this area are the Employment Department, the Department of Human Services, and the Oregon Health Authority, but there are no cost estimates for such changes at this time.

Public Universities and Community Colleges also expect to incur costs related to an increase in the minimum wage. Public universities estimate costs of $1,315,003 total funds in 2015-17 and $10,220,858 in 2017-19. While information on the effect on Community Colleges is still being compiled, 14 of the 17 colleges provided fiscal information on the -5 version of the measure. Under that version, those 14 colleges estimated that the costs for 2015-17 would total $1,230,668 and would increase to a total of $3,591,156 in 2017-19. Given the change in the -13 version, they believe that colleges in nonurban counties would have a reduced fiscal impact and all other colleges would have an increased fiscal impact starting in July 2020, as compared to the -5 version. It is noted that a large number of those impacted would be student workers and it is likely that those students would experience a reduction in other financial aid that would offset the benefit to them of the increased minimum wage. It is noted that the multiple tier minimum wage system may require a change in the formula used to calculate Oregon Opportunity Grant awards.

Based on the -5 version of the measure, the estimated direct fiscal impact to school districts and Education Service Districts is $679,000 to $735,000 in 2015-17 and $2.6 million to $2.8 million in 2017-19. Counties and cities also will incur costs as a result of the measure, although, again, the amount is indeterminate. The costs for individual counties will vary and some counties will be designated as part of the Portland metropolitan area or as nonurban and will incur either higher or lower costs per affected employee than the rest of the counties. In addition, at least one county believes that passage of the measure will violate Article XI, Section 15 of the Constitution regarding unfunded mandates.

Agencies and local governments also raise a number of issues for consideration, including the effect on the salaries of other employees who are making slightly above minimum wage, often referred to as salary compression; the potential for increased contractor costs; increased prices for services and supplies; pressure in the collective bargaining process; and changes in eligibility for benefits or assistance. The indirect costs that may be incurred due to these and other potential issues are also indeterminate.