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**SF 2260** – Iowa Minimum Wage Increase (LSB 6162SV)

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Fiscal Note Version – New

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**Description**

**Senate File 2260** increases the State minimum hourly wage to \$8.00 as of July 1, 2014, \$8.70 as of January 1, 2015, \$9.40 as of July 1, 2015, and \$10.10 as of January 1, 2016. This Bill also increases the State minimum hourly wage for employees employed for less than 90 days to \$7.10 as of July 1, 2014, \$7.80 as of January 1, 2015, \$8.50 as of July 1, 2015, and \$9.20 as of January 1, 2016.

**Background**

The minimum wage, established by federal and state law, is currently set at \$7.25 an hour. The State of Iowa last raised the state minimum wage in 2007, reaching \$7.25 on January 1, 2008, and the federal minimum wage reached this level in 2009. In 2014, 21 states and the District of Columbia (D.C.) have adopted state minimum wage levels that are higher than the federal minimum wage. Twenty states, including Iowa, have minimum wages the same as the federal level, four states have minimum wages below the federal level (the federal minimum consequently overrides), and five states have not established a state minimum wage.

Eleven states have minimum wages that are linked to a consumer price index, causing the minimum wages to be adjusted on an annual basis. Three states are currently implementing scheduled increases. Three states and the D.C. have provisions that prevent the state minimum wage from being equal to the federal minimum wage by adopting an increase by reference.

The U.S. Bureau of Labor statistics estimates that in 2012, 920,000 workers in Iowa were paid an hourly rate, and 46,000 of these workers earn wages equal to or less than the prevailing federal minimum wage.<sup>1</sup>

Minimum wage, at both the state and federal level, is reference throughout Iowa Code. Iowa Code section **49.20** requires members of each precinct election board to be paid no less than the State minimum wage, unless the members offer to serve without pay. Iowa Code section **99F.7(7)** states that it is the intent of the General Assembly that employees of licensed casinos in the State pay at least 25.0% above the federal minimum wage. Iowa Code section **909.3A** provides that community service can be used to pay a fine assessed by the courts, and is calculated at the rate of either federal or state minimum wage, whichever is higher.

**Assumptions**

- This Bill only impacts those employees currently making less than the proposed minimum wage in effect during the time period. Employees making more the proposed minimum wage in effect during that time are assumed to remain at that rate.

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<sup>1</sup> This statistic is based on a sample from U.S. Census Bureau data for the Current Population Survey and is subject to sampling error.

- The number of hours worked will remain constant for each year.
- Only the statewide general elections are included for county precinct election officials.
- The federal minimum wage will not change.
- Federal Insurance Contribution Act (FICA) tax, for applicable employees, will not change.
- For impact to the Board of Regents, 20.0% will be chargeable to the General Fund. Other sources of revenue include federal work study, grant funds, and self-supporting funds.

**Fiscal Impact**

**Fiscal Impact on State Agencies**

**Table 1** presents the total fiscal impact on State agencies compared to current law. Some additional state agencies that utilize a small number of part-time minimum wage workers or workers that are already near the proposed minimum wage rate will see increases in expenditures of approximately \$5,000 annually.

<b>Table 1</b>			
<b>Impact to State Agencies</b>			
	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Board of Regents	\$2,421,000	\$5,503,000	\$6,273,000
Iowa Legislative Branch	0	36,000	36,000
Iowa Veterans Home	35,000	81,000	92,000
Glennwood Resource Center	24,000	55,000	62,000
Woodward Resource Center	35,000	79,000	90,000
<b>Total</b>	<b>\$2,515,000</b>	<b>\$5,754,000</b>	<b>\$6,553,000</b>

**Table 2** displays the estimated General Fund fiscal impact [SF 2260](#) will have compared to the current law.

<b>Table 2</b>			
<b>Impact to the General Fund</b>			
	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Board of Regents	\$ 484,200	\$1,100,600	\$1,254,600
Iowa Legislative Branch	0	36,000	36,000
Iowa Veterans Home	35,000	81,000	92,000
Glennwood Resource Center	24,000	55,000	62,000
Woodward Resource Center	35,000	79,000	90,000
<b>Total</b>	<b>\$ 578,200</b>	<b>\$1,351,600</b>	<b>\$1,534,600</b>

## Local Fiscal Impact

Cities and counties are likely to see an impact in wages paid to employees. **Table 3** outlines the estimated impact counties will have for seasonal help and precinct election officials.

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Precinct Election Officials	\$ 32,000	\$ 0	\$ 121,000
Part-Time Seasonal Workers	195,000	444,000	506,000
<b>Total Impact on Counties</b>	<b>\$ 227,000</b>	<b>\$ 444,000</b>	<b>\$ 627,000</b>

## Other Impacts

Information is not available to determine the possible reduced or shifted demand for aid and programs that support low-income individuals. The Department of Human Services reports that multiple impacts are possible including customers that may need to start paying copayments for child care assistance, in-home provider rates changing, or changes in benefits or loss of eligibility in food assistance programs.

This fiscal impact does not include an adjustment for any impacts to State or local revenue, and any changes are anticipated to be minimal.

Pursuant to the [LSA's Fiscal Note Guide](#), Fiscal Notes do not include analysis related to secondary impacts such as economic multipliers, indirect or induced effects, impact on related business-assistance programs or the probability adjustment for the actual impact of the revenue law change.

This Bill does not appropriate funds for the identified increased expenses to State agencies.

## Sources

Board of Regents  
Department of Administrative Services  
Department of Human Services  
Iowa Association of Counties  
Iowa Veteran's Home  
Iowa Workforce Development  
National Conference of State Legislatures  
U.S. Department of Labor, Bureau of Labor Statistics

/s/ Holly M. Lyons

March 12, 2014

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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