

**Fiscal Services Division**  
**Legislative Services Agency**  
**Fiscal Note**

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HF 1 - Increase Minimum Wage to \$7.25/Hour (LSB 1189 HH)  
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Fiscal Note Version - REVISED  
Requested by Representative Mary Mascher

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**Description**

House File 1 raises the State's hourly minimum wage from the current federally mandated \$5.15 per hour to \$6.20 per hour beginning April 1, 2007, and to \$7.25 beginning January 1, 2008.

The Bill also raises the lower minimum wage of \$4.25 per hour, currently allowed for employees who have worked less than 90 days for an employer, to \$5.30 per hour beginning April 1, 2007, and to \$6.35 beginning January 1, 2008.

**Background**

Twenty-nine states and the District of Columbia have adopted state minimum wages that are higher than the federal minimum wage that was set at \$5.15 beginning September 1, 1997. The federal minimum wage laws have primacy over State minimum wage laws when the federal rate is higher than the State rate. The federal subminimum wage for employees under 20 years-of-age during the first 90 consecutive calendar days of employment with an employer is \$4.25. The Department of Workforce Development reports that, in 2005, Iowa had approximately 40,000 workers who were paid hourly wages of \$5.15 per hour or below.

**Assumptions**

- Adjustments are not made to the hourly wage based upon the Consumer Price Index (CPI).
- The number of hours worked will remain constant for each year.
- The Bill will only impact those currently making below the proposed minimum wages.
- All employees of an organization are paid the same minimum wage.
- The federal minimum wage will not change.

**Fiscal Impact**

The table below displays the estimated potential fiscal impact HF 1 will have on State salaries from all funding sources compared to the current law.

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Board of Regent's Universities	\$ 350,000	\$ 1,400,000	\$ 2,800,000
Iowa Community Colleges	22,000	410,000	658,000
Veteran's Home	18,000	88,000	141,000
<b>Total</b>	<u>\$ 390,000</u>	<u>\$ 1,898,000</u>	<u>\$ 3,599,000</u>

The table below displays the estimated potential General Fund fiscal impact HF 1 will have compared to the current law.

	FY 2007	FY 2008	FY 2009
Board of Regent's Universities	\$ 35,000	\$ 140,000	\$ 280,000
Iowa Community Colleges	220	4,100	6,580
Veteran's Home	18,000	88,000	141,000
<b>Total</b>	<u>\$ 53,220</u>	<u>\$ 232,100</u>	<u>\$ 427,580</u>

The increase in costs could be covered by increased expenditures or reduced work hours.

Information is not available, at this time, pertaining to the possible reduced demand for aid and programs that support low-income individuals, the possible increase in the cost for reimbursement of provider costs, or the impact on local government. The Department of Human Services reports the fiscal impact of the legislation on their programs and activities, either positive or negative, can not be quantified.

The fiscal impact does not include an adjustment for "indirect" impacts on State or local revenue. Both positive and negative indirect impacts are possible. Positive indirect impacts may include employees expending additional salary dollars within the State. Negative indirect impacts may include fewer jobs for students, workforce reductions, business closings, or the possible increase in expenses for local government.

### Sources

Department of Education  
Department of Administrative Services  
Board of Regents  
Iowa Veteran's Home  
Iowa Workforce Development  
Department of Human Services

/s/ Holly M. Lyons

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January 23, 2007

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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