

SF3947 - 0 - Minimum Wage Provisions Modified

Chief Author: **Zaynab Mohamed**
 Committee: **Labor**
 Date Completed: **3/18/2024 3:23:52 PM**
 Agency: **Labor and Industry Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2023	FY2024	FY2025	FY2026	FY2027
Total		-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karl Palm **Date:** 3/18/2024 3:23:52 PM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

Section 1 of the bill amends Minn. Stat. 177.23 to add a definition of "large employer," as the bill deletes that definition in Minn. Stat. 177.24.

Section 2 of the bill amends Minn. Stat. 177.23 to add a definition of "small employer," as the bill deletes that definition in Minn. Stat. 177.24.

Section 3 of the bill amends Minn. Stat. 177.24 to:

1. Remove the definitions of small and large employer and establish the minimum wage rate in Minn. Stat. 177.24 is the same for all employers, except for the training wage for employees under the age of 20 during the first 90 consecutive days of employment;
2. Remove the small employer, J visa / resort, and youth minimum wage rates; and
3. Increase the cap on the annual minimum wage adjustment from 2.5 percent to 5 percent.

The changes in the bill are effective January 1, 2025.

Assumptions

Under the current requirements of Minn. Stat. 177.24, subd. 1(f), the Commissioner raises the minimum wage each year on January 1 to account for inflation. From 2021 to 2022, the large employer minimum wage went up \$0.25, and the small employer minimum wage went up \$0.21. In 2022, DLI received 334 intakes relating to minimum wage, including 295 inquiries, 10 wage claims, 21 inform & educates, and 8 investigations, which is a 0.17% intake rate measured against the number of private employers in the state. DLI does not have data on whether those inquiries related to large or small employers.

From 2022 to 2023, the large employer minimum wage went up \$0.26, and the small employer minimum wage went up \$0.21. In 2023, DLI received 231 intakes relating to minimum wage, including 194 inquiries, 12 wage claims, 20 inform & educates, and 5 investigations, which is a 0.11% intake rate measured against the number of private employers in the state. DLI also does not have data on whether those inquiries related to large or small employers.

As indicated above, DLI's Labor Standards Division responds to minimum wage intakes by answering questions/inquiries, processing wage claims, drafting and providing 'inform & educate' letters, and conducting investigations. The number of intakes DLI receives relating to minimum wage fluctuates each year, even when the minimum wage increase is similar from year to year, as was the case in 2021-2022 and 2022-2023. Given that this bill would increase small employers' minimum wage obligations to match those currently required of large employers, and all employers would be obligated to pay an annual minimum wage increase of the lesser of the rate of inflation or 5% as opposed to the lesser of the rate of

inflation or the current rate of 2.5%, DLI estimates that this bill would increase the minimum wage intake rate to as much as 0.20% (402 intakes) in the first year (2025) but expects minimum wage intakes would return to their usual rate between 0.11% - 0.17% (231-334 intakes) in 2026 and beyond. On average, the Division's wage and hour unit currently processes approximately 25,600 intakes each year. Assuming the minimum wage intakes increase to the estimated 402 in 2025, this would only amount to approximately 68-171 additional intakes for that year; therefore, DLI assumes no costs related to these additional intakes.

DLI would develop, revise, and disseminate outreach and educational materials to reflect the specific requirements of this bill and engage with employers and employees most impacted by the change in the law (e.g., small employers and those working in low-wage industries). As the Labor Standards Division regularly performs outreach and education to stakeholders, DLI assumes these law changes would be included as part of regularly scheduled outreach and education; therefore DLI assumes no additional cost related to outreach and education activities.

Expenditure and/or Revenue Formula

NA

Long-Term Fiscal Considerations

NA

Local Fiscal Impact

NA

References/Sources

<https://dli.mn.gov/business/employment-practices/minnesota-minimum-wage-report-2023>

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