

**FISCAL IMPACT OF PROPOSED LEGISLATION**

**Measure: SB 1532 - MRA**

78th Oregon Legislative Assembly – 2016 Regular Session  
Legislative Fiscal Office

*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, Department of Revenue

**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 establishes a two-tier minimum wage system. Beginning in 2017, one tier would require exempt employers, as specified in the measure to pay at least \$9.25 per hour plus an adjustment for inflation. The second tier requires non-exempt employers to pay the greater amount of either the current lower tier amount or \$9.50 per hour. Exempt employers are those who employ 50 or fewer employees, who are engaged in the production of agricultural or forest products, and those located in a nonurban or economically distressed county, as specified in the bill. The bill also allows local governments to set the minimum wage rate at the lower tier amount for their own jurisdiction. In addition, the bill provides for tax credits for certain employers and allows a personal tax credit equal to taxes that would be imposed if a taxpayer's total wages divided by the number of hours worked does not exceed the minimum wage. The measure also changes the term "minimum wage" to "state mandated minimum wage" in Oregon law and refers the measure to the people at the next regular general election.

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 changes occur. However, it should be noted that the measure would cost less than the costs estimated for SB 1532-A. For context, assuming inflation continued at the rate that was included in the last Oregon Economic and Revenue Forecast, the minimum wage in 2019 would likely be \$10.00 per hour rather than the rate of \$10.75 in SB 1532-A. The bill specifies that the actual adjustment rate would be based on data from the U.S. City Average Consumer Price Index for all Urban Consumers for All Items as prepared by the Bureau of Labor Statistics of the United States Department of Labor.

Based on information from the Department of Administrative Services (DAS), the direct cost for an increase in the wages of state employees making minimum wage would be approximately \$4,000 total funds in 2015-17 and \$16,000 total funds in 2017-19. (For context, the total funds state budget for personal services in 2015-17 is \$7.2 billion.) It should be noted that the Department of Revenue will incur costs related to the implementation of the new tax credits, although the amount has not yet been determined.

Public Universities estimate that they would incur costs of \$287,101 in 2015-17 and \$1,148,404 in 2017-19 to implement the measure. While new information is not yet available, as with state employees and Public Universities, it is anticipated that while there would be increased costs to Community Colleges, School Districts, and Education Service Districts, those costs would be less than the costs estimated for SB 1532-A. For Public Universities and Community Colleges, 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.

Local governments also may incur costs as a result of the measure, although, again, the amount is indeterminate. The costs for individual counties will vary depending on whether they are nonurban or economically distressed and on the actions they may choose to take as authorized by the measure.

Other issues that are raised in discussions of an increase in the minimum wage include 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; however, a lesser increase in the minimum wage will reduce the fiscal effects on all direct and indirect costs.