

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1616H.05P
Bill No.: Perfected HCS No.2 for HB Nos. 567, 546, 758 & 958
Subject: Employees - Employers; Labor and Management; Department of Labor and Industrial Relations; Salaries
Type: Original
Date: March 12, 2025

Bill Summary: This proposal modifies provisions relating to employee compensation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*	Up to (\$132,733)	Up to (\$161,834)	Up to (\$164,439)
Total Estimated Net Effect on General Revenue	Up to (\$132,733)	Up to (\$161,834)	Up to (\$164,439)

*Oversight reflects DOLIR's FTE needed to comply with the proposal.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Colleges & Universities	Could exceed (\$8,500,000)	Could exceed (\$10,200,000)	Could exceed (\$10,200,000)
Total Estimated Net Effect on <u>Other</u> State Funds	Could exceed (\$8,500,000)	Could exceed (\$10,200,000)	Could exceed (\$10,200,000)

*Costs to increase minimum wage. The University of Missouri System assumes the costs could reach \$10.2 million per year.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume Section 290.502.4 of this bill would remove the exemption of public employers from the state minimum wage law. MERIC's most recent monthly report on the number of state and local employees indicates an additional 380,300 public employees would be able to file minimum wage complaints which would now be investigated by the Wage and Hour Section of the Division of Labor Standards. Out of a total employee population of 2,557,200 in the private sector, DLS intakes approximately 11,000 contacts regarding minimum wage per year. This does not account for employers who are not covered by the minimum wage law due to grossing less than \$500,000 in gross revenues. If the public sector made contact with DLS at the same rate as the private sector, this would result in an additional 1,521 contacts with DLS, which would require at least 1, but likely 2 regulatory auditors given that all the public employers will be eligible.

Oversight notes that DOLIR assumes the proposal will have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a DOLIR estimated impact up to (2) FTE in the fiscal note.

In response to the previous version of the bill, officials from the **Office of Attorney General (AGO)** assumed any potential litigation costs arising from this proposal can be absorbed with existing resources. The AGO may seek additional appropriations if the proposal results in a significant increase in litigation or investigation costs.

Oversight assumes AGO is provided with core funding to handle a certain amount of activity each year. Oversight assumes AGO could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, AGO could request funding through the appropriation process.

Officials from the **Office of Administration – (Administrative Hearing Commission, and the Budget & Planning)**, the **Department of Economic Development**, the **Department of Higher Education and Workforce Development**, the **Department of Natural Resources**, the **Missouri Department of Conservation**, the **Department of Elementary and Secondary Education**, the **Department of Revenue**, the **Department of Revenue**, the **Department of Public Safety – (Office of the Director, Fire Safety, Capital Police, Gaming Commission, Highway Patrol, Alcohol & Tobacco Control, Veterans Commission, State Emergency Management Agency)**, the **House of Representatives**, the **Legislative Research**, the **Missouri Consolidated Health Care Plan**, the **Lottery**, the **Joint Committee on Education**, the **Oversight Division**, the **Missouri Senate**, the **Missouri Department of Agriculture**, the **Department of Natural Resources**, the **Missouri Office of Prosecution Services**, the **Joint Committee on Public Employee Retirement**, the **Missouri Ethics Commission**, the **Missouri National Guard** the **State Tax Commission**, the **Office of the State Auditor**, the **Lieutenant**

Governor Office, the **Office of the State Public Defender**, the **Office of the State Treasurer**, the **Office of the State Courts Administrator**, the **Office of the State Auditor**, and the **Missouri Department of Transportation** each assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Officials from the **Office of Administration (OA)** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Officials from the **Department of Corrections**, the **Department of Commerce and Insurance**, the **Department of Mental Health**, the **Department of Health and Senior Services**, and the **Department of Social Services** each deferred to the OA for the potential fiscal impact of this proposal.

Oversight requested additional information from the Office of Administration but had not received a response by the time this fiscal note was completed. Upon the receipt of additional information, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Officials from the **University of Missouri System** note that the University of Missouri has reviewed this proposed legislation and determined this to have an estimated fiscal impact \$10.2 million dollars per year based on today's employee data.

Upon further inquiry, the **University of Missouri System** stated this would be an increased cost to the University. The increased cost would occur because under current law, the University and other public employers are exempt from the minimum wage escalation features in the statute. This bill would remove that exemption and make the University and other public employers subject to the new minimum wage increases that would be established by the bill. The calculation of cost to the University is based on these features of the bill amending Section 290.502, RSMo, not on the provisions of the bill rescinding Sections 290.600, et seq, related to leave, for which they do not anticipate a fiscal cost.

Officials from the **University of Central Missouri** assume the proposal will have no fiscal impact on their organization.

Oversight notes that not all colleges and universities provided response. However, Oversight is unsure in any other colleges and universities may incur additional costs due to the proposal. Therefore, oversight will reflect a range in costs from \$10.2 million (representing MIZ) to unknown (including other universities and colleges within State) to Other State Funds (the colleges and universities) in the fiscal note effective FY 2026 (the minimum wage requirement begins on January 1, 2026).

Oversight, for informational purposes, provides some statistics on Business by Size in Missouri, based on calendar year 2022:

Employee(s)	Number of Businesses
1 to 4	145,490
5 to 9	28,362
10 to 19	21,336
20 to 49	14,699
50 to 99	4,642
100 to 249	2,319
250 to 499	662
500 to 999	202
1000 and more	106
Total w/ more than 10	43,966

<https://meric.mo.gov/media/pdf/mo-businesses-size>

Oversight notes the proposal delays the enactment of certain benefits for employers with more than 15 employees.

Oversight notes that **City of Kansas City** and the **City of Osceola** both assume the proposal will have no fiscal impact on their organization.

In response to the previous version of the bill, officials from the **City of O’Fallon** assumed the proposal will have no fiscal impact on their organization.

Oversight notes DOLIR indicate there could be an additional 380,300 public employees who would be able to file minimum wage complaints.

Oversight is unsure how many of the above mention public employees, from local political subdivisions, receiving minimum wage currently; therefore, Oversight will reflect unknown cost to the local political subdivisions in the fiscal note.

Oversight notes that in November 2024, the initiative (Prop A) increased the minimum wage to \$13.75 per hour in 2025 and to \$15 per hour in 2026. Additionally, the initiative required businesses with 15 or fewer employees to provide at least five paid sick days per year, while those with more than 15 employees had to offer at least seven paid sick days annually.

Oversight notes that earned sick time began to accrue at the commencement of employment or on May 1, 2024, whichever was later.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
<u>Costs – §290.502.4 – Wage & Hour Compliance with Minimum Wage Law</u>	Up to...	Up to...	Up to...
Personnel Service	(\$75,966)	(\$92,982)	(\$94,842)
Fringe Benefits	(\$56,767)	(\$68,851)	(\$69,597)
Expense & Equipment	(\$0)	(\$0)	(\$0)
<u>Total Costs – DOLIR p.4</u>	<u>(\$132,733)</u>	<u>(\$161,834)</u>	<u>(\$164,439)</u>
FTE Change	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Up to (\$132,733)</u>	<u>Up to (\$161,834)</u>	<u>Up to (\$164,439)</u>
COLLEGE AND UNIVERSITIES			
<u>Cost - §290.502.4 – Compliance with Minimum Wage Law p.5</u>	<u>Could exceed (\$8,500,000)</u>	<u>Could exceed (\$10,200,000)</u>	<u>Could exceed (\$10,200,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Could exceed (\$8,500,000)</u>	<u>Could exceed (\$10,200,000)</u>	<u>Could exceed (\$10,200,000)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISION			
<u>Cost</u> – 290.502 4. Compliance with Minimum Wage Law	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
NET ESTIMATED EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT – Small Business

A direct fiscal impact to some small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill modifies the schedule of minimum wage increases or decreases by terminating such schedule as of December 31, 2024. Currently, the minimum wage is set to be increased or decreased on January 1, 2027, and on January 1 of successive years, based on increases or decreases of the Consumer Price Index for Urban Wage Earners and Clerical Workers. This bill repeals that scheduled adjustment.

Currently, these provisions do not apply to public employers, as that term is defined in the bill. This bill changes that applicability for public employers beginning on the effective date of this bill.

The bill repeals provisions as they relate to paid sick leave requirements, including, but not limited to, under what conditions paid sick leave must be provided by employers, prohibited actions for employers and violations thereof, recordkeeping requirements, complaint and investigative procedures, a right to a cause of action for retaliation, and confidentiality of information.

This bill has an emergency clause for the provisions that are being repealed relating to paid sick leave.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Attorney General's Office
Department of Commerce and Insurance
Department of Economic Development
Department of Elementary and Secondary Education
Department of Higher Education and Workforce Development
Department of Health and Senior Services
Department of Mental Health
Department of Natural Resources
Department of Corrections
Department of Labor and Industrial Relations
Department of Revenue
Department of Public Safety
 Office of the Director
 Division of Alcohol and Tobacco Control
 Capitol Police
 Fire Safety
 Missouri Gaming Commission
 Missouri Highway Patrol
 State Emergency Management Agency
 Missouri Veterans Commission
Missouri National Guard
Department of Social Services
Office of the Governor
Joint Committee on Education
Joint Committee on Public Employee Retirement
Joint Committee on Administrative Rules
Missouri Lottery Commission
Legislative Research
Oversight Division
Missouri Consolidated Health Care Plan
Missouri Department of Agriculture
Missouri Department of Conservation
Missouri Ethics Commission
Missouri House of Representatives
Office of the Lieutenant Governor
Missouri Department of Transportation
Missouri State Employee's Retirement System
MoDOT & Patrol Employees' Retirement System
Missouri Office of Prosecution Services
Office of Administration
 Administrative Hearing Commission
 Budget and Planning
 Facilities Management, Design and Construction

Office of the State Courts Administrator
Office of the State Auditor
Missouri Senate
Missouri House of Representatives
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
Oversight Division
State Tax Commission
City of Kansas City
City of O'Fallon
City of Osceola



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