

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 1709 (First Edition)

SHORT TITLE: Increase/Index State Minimum Wage.

SPONSOR(S): Representatives Adams, Luebke, Wainwright, and Harrison

FISCAL IMPACT					
	Yes ()	No (X)	No Estimate Available ()		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
REVENUES	N/A	N/A	N/A	N/A	N/A
EXPENDITURES	No Fiscal Impact				
POSITIONS (cumulative):	N/A	N/A	N/A	N/A	N/A
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: State departments, agencies, institutions, Universities, Community Colleges and Public Schools.					
EFFECTIVE DATE: September 1, 2007					

BILL SUMMARY:

Increases the State Minimum Wage to seven dollars and twenty-five cents (\$7.25) per hour effective September 1, 2007. In addition, provides an automatic inflationary increase on January 1, 2008 and each subsequent January 1st by the percentage increase in the Consumer Price Index, all urban consumers, U.S. city average for all items as calculated by the U.S. Department of Labor for the 12-months preceding the previous September 1.

ASSUMPTIONS AND METHODOLOGY:

The General Assembly enacted a Fair Minimum Wage for all permanent full-time employees subject to the State Personnel Act (SPA) in 2005. Currently, the Fair Minimum Wage for SPA employees is \$21,218. Similarly in 2006, the General Assembly enacted a Fair Minimum Wage for all permanent full-time non-certified employees in the public schools. Currently, the Fair Minimum Wage for public school non-certified employees is \$20,112. The result of these actions

is that the lowest hourly wage paid to State employees is currently \$10.20 and for public school employees is \$9.67 with one exception.

The Office of State Personnel created *Temporary Solutions* in 1986 to provide temporary staffing services for State Government agencies and departments. *Temporary Solutions* currently has approximately 40 temporary employees assigned to agencies earning less than \$10.20 per hour. The lowest hourly wage paid to a *Temporary Solutions*' temporary employee is \$8.25.

The Community Colleges has adopted the State's Fair Minimum Wage of \$21,218 for positions funded with State funds. Therefore, the lowest hourly wage paid to a state-funded community college position is \$10.20.

The table below estimates the changes in the State Minimum Wage based upon projected increases in the consumer price index.

Inflation Rate Estimates and the Estimated Increase in the State Minimum Wage						
	9/1/2007	1/1/2008	1/1/2009	1/1/2010	1/1/2011	1/1/2012
Estimated CPI-U ¹		2.00%	2.10%	2.10%	2.20%	2.30%
Estimated State Minimum Wage	\$7.25	\$7.40	\$7.55	\$7.71	\$7.88	\$8.06

¹ Estimates based on consumer price index projections from Moody's economy.com (Feb. 2007)

In as much as the lowest current hourly wage paid by the State, without any cost of living adjustment, is greater than the projected State Minimum Wage over the next five years, there is no fiscal impact to the State from this proposed legislation.

SOURCES OF DATA: The Office of State Personnel, the Department of Public Instruction, the Community Colleges System Office, and Moody's economy.com.

TECHNICAL CONSIDERATIONS: None

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DATE: May 17, 2007



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