

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 2162
STATE OF NEW JERSEY
215th LEGISLATURE

DATED: APRIL 25, 2012

SUMMARY

Synopsis: Increases minimum wage to \$8.50, then makes annual adjustments based on CPI increases.

Type of Impact: Expenditure increase

Agencies Affected: Certain State, county and municipal government entities

Office of Legislative Services Estimate

Fiscal Impact	Year 1 to Year 3
Cost to certain State, county and municipal government entities	Indeterminate increase

- The Office of Legislative Services (OLS) concludes that Assembly Bill No. 2162 may increase expenditures by county and municipal government entities due to increased labor costs, primarily for part time seasonal workers. However, due to uncertainty as to the number of employees currently compensated at a rate of less than \$8.50 per hour, and uncertainty as to the hiring practices of the entities, the OLS can not estimate a total cost to local units resulting from the bill.
- In addition to those workers who are employed directly by the county or local governments, there may also be increases to individuals who are employed by private entities that contract to do work for State, county or municipal government. In general, the State does not involve itself with what private contractors choose to pay their employees. It is possible that some of these private contractors pay only minimum wage to some employees. These contractors will therefore be required to pay their employees more, and may request additional funding from the State to offset any increase in costs resulting from an increase in the minimum wage.

BILL DESCRIPTION

Assembly Bill No. 2162 of 2012 increases New Jersey's hourly minimum wage rate from \$7.25 to \$8.50 on July 1, 2012 and then requires that, starting in calendar year 2013, the minimum wage rate be adjusted annually, based on any increase in the Consumer Price Index (CPI) in the previous calendar year, with the adjustment taking effect on July 1 of each year.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that Assembly Bill No. 2162 may increase expenditures by State, county and municipal government entities due to increased labor costs, primarily for part time seasonal workers. However, due to uncertainty as to the number of employees currently compensated at a rate of less than \$8.50 per hour, and uncertainty as to the hiring practices of the entities, the OLS can not estimate a total cost resulting from the bill. Following is a discussion of the issue and examples of labor costs under current hiring practices.

Currently, a full time worker (40 hours per week) compensated at the minimum wage earns \$15,080 per year. Pursuant to the changes proposed in the legislation, that same worker will be compensated \$17,680 a year, an increase of \$2,600 per year, in the first year after enactment of this bill.

The OLS was not able to locate a source for comprehensive salary data for employees of State, county and municipal governments. For all private and public workers, the U.S. Bureau of Labor Statistics reports that, in New Jersey in 2011, there were 57,000 workers paid less than the minimum wage of \$7.25 per hour (these workers are not subject to minimum wage and will not be affected by this legislation); 41,000 were paid the minimum wage; and 58,000 were paid between \$7.25 and \$8.00 per hour. There is no information available regarding workers paid between \$8.00 and \$8.50 per hour. Moreover, it is not possible to determine the total cost of the increased wage for these workers because the report does not account for part time versus full time employment. However, it is important to note that overall in the State there are at least 99,000 persons (2.4 percent of the workforce) in both the public and private sectors who make less than \$8.00 an hour and will be affected by this legislation.

To determine the total number of public employees affected, the OLS first analyzed Statewide position data. According to that data, the State does not have any direct employees compensated at \$8.50 per hour or less. However, there are employees working for municipal and county governments and for contractors used by government entities who are compensated at less than \$8.50 per hour: for example, seasonal employees of parks and recreation departments in towns and counties and workers at the rest stops on the New Jersey Turnpike.

Following are some examples of the effects of an increase on municipal, county and Statewide contracted entities.

Essex County employs approximately 211 seasonal employees in the Essex County parks system at a rate of \$8.00 per hour. If the minimum wage is increased to \$8.50, and the county chooses to compensate their employees at minimum wage as opposed to above minimum wage

as it had previously done, it will need to allocate an additional \$52,000 for seasonal labor costs in 2012 or reduce the overall number of individuals hired or hours worked.

Ocean County also hires seasonal employees in its parks and recreation department at less than \$8.50 per hour. Information provided to the OLS indicates that the parks and recreation department labor costs would increase by at least \$7,000 over the summer of 2012 should the bill be enacted and the hiring practices of the county remain the same.

In other cases, the bill could have very little impact. For example, Atlantic and Cape May Counties both currently hire at rates above the \$8.50 per hour proposed, with the exception of a very small number of individuals hired in the Atlantic County library system.

Cape May City hires approximately 120 individuals for the summer season to work as beach taggers and recreation employees who are compensated at less than \$8.50 per hour. A majority of these individuals are hired at \$7.25 initially and receive \$0.25 raises for each year of service. The increase of the minimum wage will cost Cape May City approximately \$73,000 in labor costs for the 2012 summer season. It was also noted that in the past when the city increased wages for its lowest paid workers, increases to each subsequent step on the salary range occurred as well.

Ocean City hired approximately 262 individuals for the 2011 season who made \$8.00 per hour or less and would be affected by this legislation. According to the city, increasing these individuals' hourly rates to \$8.50 per hour in 2012 will cost an additional \$52,000 in labor costs for the season. Ocean City also noted that, in the past, increases to their lowest paid employees resulted in increases to other employees in higher salary ranges.

In addition to those workers who are employed directly by the county or municipal governments, there may also be increases to individuals who are employed by private entities that contract to do work for the State, county or local government.

The State contracts with hundreds of private agencies to provide services to children and adults. In general the State does not involve itself with what private agencies choose to pay their employees. It is possible that some of these private agencies pay only minimum wage to some employees. These agencies will then have to pay more to those employees and may request additional funding from the State to offset any increase in costs resulting from an increase in the minimum wage.

Information is not available as to the number of private agencies that may pay only minimum wage to some personnel, however, a sampling of salaries provided by group home providers indicate that the beginning wage offered is more than \$8.50 per hour.

Additionally, employees at the rest areas on the New Jersey Turnpike are supported through a contract between the Turnpike Authority and a private vendor. These individuals are paid \$8.25 per hour. An increase in wages to the approximately 1100 employees may cost the vendor approximately \$500,000 over the year in increased labor costs. The private vendor possibly could respond by increasing the costs of goods being sold in the rest stops to raise additional revenue or by choosing to decrease its workforce. The OLS can not predict the behavior of the vendor.

In summary, it appears that county and municipal entities will incur increased labor costs, primarily from part time seasonal workers. Additionally, contractors for the State may also incur increased labor costs. However, in all instances it is not possible for the OLS to make a definitive statement on the overall cost of an increase in the minimum wage due to uncertainty on the number of persons affected and the actions of the entities.

Section: Commerce, Labor and Industry
Analyst: Robin C. Ford
Senior Fiscal Analyst
Approved: David J. Rosen
Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).