

**LEGISLATIVE FISCAL ESTIMATE**  
**SENATE COMMITTEE SUBSTITUTE FOR**  
**SENATE CONCURRENT RESOLUTION No. 1**  
**STATE OF NEW JERSEY**  
**215th LEGISLATURE**

DATED: OCTOBER 23, 2012

**SUMMARY**

**Synopsis:** Amends Constitution to set minimum wage at \$8.25 per hour with annual adjustments for inflation.

**Type of Impact:** Expenditure increase

**Agencies Affected:** Certain State, county and municipal governmental entities

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b>Year 1 to Year 3</b>
<b>Cost to certain State, county and municipal government entities</b>	Indeterminate increase- See comments below

- The Office of Legislative Services (OLS) concludes that the Senate Committee Substitute for Senate Concurrent Resolution No. 1 may increase expenditures by county and municipal governmental 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 \$8.25 per hour, and uncertainty as to the hiring practices of these 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 county or local governments, there may also be increases in the hourly wages paid 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, which will increase State costs.
- Furthermore, since the Senate Committee Substitute for Senate Concurrent Resolution No. 1 requires that the minimum wage rate be adjusted annually based on any increase in the

Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in the previous calendar year, the OLS also estimates that the minimum wage rate will rise approximately 2.8 percent each year, beginning in 2015, based on projected trends in the CPI-W.

## **BILL DESCRIPTION**

The Senate Committee Substitute for Senate Concurrent Resolution No. 1 of 2012 is a proposed amendment to the State Constitution to increase the minimum wage from the current \$7.25 per hour to \$8.25 per hour and then provide annual cost of living increases based on increases in the consumer price index. The cost of living increases would be added to the initial rate and any subsequent increases in the minimum wage rate made by law. Also, if the federal minimum wage rate is raised above the State rate, the State rate would be raised to match the federal rate. Future cost of living increases then would be added to that rate.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS concludes that the Senate Committee Substitute for Senate Concurrent Resolution No. 1 may increase expenditures by State, county and municipal governmental 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 \$8.25 per hour, and uncertainty as to the hiring practices of these entities, the OLS can not estimate a total cost resulting from the bill. Following is a discussion of the issue, examples of labor costs under current hiring practices and the possible impact of the automatic cost of living adjustments proposed pursuant to the Senate Committee Substitute for Senate Concurrent Resolution No. 1.

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 \$17,160 a year, an increase of \$2,080 in the first year of enactment. Additionally, it is estimated that starting in 2015 the average hourly rate will increase approximately 2.8 percent each year, based on projected trends in the CPI-W.

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 \$8.25 per hour. Moreover, it is not possible to determine 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 \$8.25 per hour or less. However, there are employees working for municipal and county governments who are compensated at less than \$8.25 per hour, primarily seasonal employees of parks and recreation departments in towns and counties.

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

Essex County employed approximately 211 seasonal employees in the Essex County parks system at a rate of \$8.00 per hour in 2012. If the minimum wage increased to \$8.25, and the county chose to compensate their employees at minimum wage, then the county would have needed to allocate an additional \$25,800 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 \$8.25 per hour. Information provided to the OLS indicates that the parks and recreation department labor costs would have increased by approximately \$5,000 over the summer of 2012 should the bill have been enacted and the hiring practices of the county remained 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 \$8.25 per hour proposed, with the exception of a very small number of individuals hired in the Atlantic County library system.

Cape May City hired approximately 120 individuals for the 2012 summer season to work as beach taggers and recreation employees who were compensated at less than \$8.25 per hour. A majority of these individuals were hired at \$7.25 initially and receive \$0.25 raises for each year of service. The increase to the minimum wage would have cost Cape May City approximately \$58,800 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.

In addition to those workers who are employed directly by 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, which in turn will increase State costs. Likewise, county and local governmental entities also contract with private agencies to provide services and may experience similar price increases. Information is not available as to the number of private agencies that may pay only minimum wage to some personnel.

Furthermore, since the Senate Committee Substitute for Senate Concurrent Resolution No. 1 requires that the minimum wage rate be adjusted annually based on any increase in the CPI-W in the previous calendar year, the OLS also estimates that the minimum wage rate will rise approximately 2.8 percent each year, beginning in 2015.<sup>1</sup> Please see the following chart that

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<sup>1</sup> Page 3, "The Long-Range Economic Assumptions for the 2012 Trustees Report," prepared by the Office of the Chief Actuary, Social Security Administration. April 23, 2012 [http://www.ssa.gov/oact/tr/2012/2012\\_Long-Range\\_Economic\\_Assumptions.pdf](http://www.ssa.gov/oact/tr/2012/2012_Long-Range_Economic_Assumptions.pdf).

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illustrates the expected increases should the amendment be approved by the voters and take effect in 2014:

<b>Year</b>	<b>CPI -W Annual change</b>	<b>Est. Min. Wage</b>
<b>2002</b>	1.4%	
<b>2003</b>	2.2%	
<b>2004</b>	2.6%	
<b>2005</b>	3.5%	
<b>2006</b>	3.2%	
<b>2007</b>	2.9%	
<b>2008</b>	4.1%	
<b>2009</b>	-0.7%	
<b>2010</b>	2.1%	
<b>2011</b>	3.6%	
<b>2012*</b>	2.8%	\$7.25
<b>2013</b>	2.8%	\$7.25
<b>2014</b>	2.8%	\$8.25
<b>2015</b>	2.8%	\$8.48
<b>2016</b>	2.8%	\$8.72
<b>2017</b>	2.8%	\$8.96

\*2012 onward CPI-W increases are estimates.

In summary, it appears that county and municipal governmental entities will incur increased labor costs, primarily from part time seasonal workers. Additionally, contractors for the State may also incur increased labor costs, which could be passed through to the State. In all likelihood these increases will be gradual each year due to the increase in the CPI-W which in most years will necessitate an increase in the minimum wage. However, in all instances it is not possible for the OLS to make a definitive estimate as to the overall cost of an increase in the minimum wage due to uncertainty of the number of persons affected and the actions of the entities.

*Section: Commerce, Labor and Industry*

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*Approved: David J. Rosen  
Legislative Budget and Finance Officer*

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