

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 321 Local Government
SPONSOR(S): Attkisson, and others
TIED BILLS: none **IDEN./SIM. BILLS:** SB 54

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>State Administration</u>	<u>5 Y, 0 N</u>	<u>Bond</u>	<u>Everhart</u>
2) _____	_____	_____	_____
3) _____	_____	_____	_____
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

This bill prohibits local governments from enacting an ordinance that would require employers to pay employees a minimum wage higher than the federal minimum wage. Local governments may, however, enact such an ordinance if applicable only to the government's own employees, to employees of a contractor or supplier providing goods or services to the local government, or to an employer who accepts some tax benefit awarded by the local government.

This bill does not appear to have a fiscal impact on state or local governments.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|---|-----------------------------|---|
| 1. Reduce government? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. Lower taxes? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a “no” above, please explain:

Not applicable.

B. EFFECT OF PROPOSED CHANGES:

Background

In general, a local government may enact any ordinance governing conduct within the local government’s jurisdiction that is not otherwise prohibited by the state or federal constitution or general law. An ordinance that requires employers to pay employees a minimum wage higher than the federal minimum wage is sometimes referred to as a “living wage” ordinance. There is currently no prohibition that would prevent a city or county from enacting such an ordinance.

The federal minimum wage for covered, nonexempt employees is \$5.15 per hour.¹ There are over 30 exemptions from the federal minimum wage law, including: taxicab drivers; babysitters; employees of a small-circulation newspaper business, children employed by parents, and certain agricultural workers.²

Proponents of local minimum wage ordinances seek to enact local laws to require employers to pay minimum wages in excess of those required by the federal minimum wage law. Nationally, 77 local governments have adopted some type of local minimum wage ordinance, and active campaigns are seeking local minimum wage ordinances with 125 more local governments.³ The most common form of local minimum wage ordinance is one that applies only to the local government and to contractors and suppliers who contract with the local government.

In Florida, local minimum wage ordinances or policies have been enacted by 5 local governments, and active campaigns are seeking passage with 8 additional local governments.⁴ The enacted ordinances or policies are, in order of enactment:

¹ 29 U.S.C. § 206(a)(1). This rate was established as of September 1, 1997.

² See *generally* 29 U.S.C. § 213.

³ http://www.epionline.org/livingwage/lw_proposals.cfm?state=fl

⁴ http://www.epionline.org/livingwage/lw_proposals.cfm?state=fl

Local Minimum Wage Ordinances or Policies in Florida			
Locality	Enacted	Applies to	Rates⁵
Miami-Dade County	May 1999	County employees, certain contractors and suppliers, and airport licensees.	\$8.81 with benefits, \$10.06 without.
City of Miami Beach	April 2001	City contractors and suppliers with contract value in excess of \$100,000.	\$8.56 with benefits, \$9.81 without.
City of Gainesville	October 2001	City employees only.	\$8.56
Orange County	July 2002	County employees, and contractors and suppliers with a contract in excess of \$100,000.	\$7.98 with benefits.
Broward County	October 2002	County employees, and contractors and suppliers with a contract in excess of \$100,000.	\$9.57 with benefits, \$10.82 without.

Proponents of local minimum wage laws cite to studies that support the idea that local minimum wage laws produce economic and social benefits.⁶ Opponents contend that any significant increase in minimum wage requirements, such as those found in local minimum wage laws, result in significantly increased costs to employers together with increased unemployment.⁷

Effect of Bill

In general, this bill prohibits a local government from enacting a local minimum wage ordinance applicable to employers within the jurisdiction. Specifically, this bill prohibits local governments from enacting any ordinance that would establish, mandate, or otherwise require an employer to pay a minimum wage, other than a federal minimum wage, or to apply a federal minimum wage to wages exempt from such a federal minimum wage. A local government may, however, establish a minimum wage other than a federal minimum wage in circumstances where the local government is paying (directly or indirectly) the cost of such additional wages, in any of the following circumstances:

- For employees of the local government;
- For employees of an employer contracting to provide goods or services to the local government, or for the employees of a subcontractor of such an employer, under the terms of a contract with the local government; or
- For employees of an employer receiving a direct tax abatement or subsidy from the local government, as a condition of the direct tax abatement or subsidy.

C. SECTION DIRECTORY:

Section 1 creates an unnumbered new section of law to prohibit local minimum wage ordinances by local governments, with certain exceptions.

Section 2 provides an effective date of upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues: None.
2. Expenditures: None.

⁵ Most of the ordinances include an adjustment for inflation. The rates here are based on best information available.

⁶ Examples can be found at: <http://www.livingwagecampaign.org/impact.php>.

⁷ Examples can be found at: <http://www.epionline.org/livingwage/index.cfm>.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues: None.
2. Expenditures: None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Because no local government has yet to enact a local minimum wage ordinance applicable to employers in general, this bill will have no direct economic impact on the private sector. In June 2002, Dr. David McPherson, Ph.D, a professor of Economics at The Florida State University, studied the potential impact of a statewide local minimum wage law in Florida.⁸ He found:

In view of the startling successes and growing demands of the living wage movement, it is very timely and relevant to assess the likely economic effects of such laws on the Florida economy and its workers. This report examines the employment and income consequences of setting a minimum wage throughout Florida of \$8.81 or \$10.09, wage levels corresponding to the Miami-Dade County law for employers, with and without health benefits.

This study reaches three broad conclusions. First, such minimum wages would result in approximately 131,000 to 222,000 workers losing their jobs. Second, Florida employers would see their wage costs skyrocket in the range of \$4.9 to \$8.8 billion. Third, many of the projected wage gains would go to low-wage workers in higher income families rather than to those most in need. For example, about one-third of the wage gains would go to families with incomes over \$40,000. Finally, compared with living wage mandates, targeted employment tax credits are a better policy to assist poor families because they reward work, do not cause workers to lose jobs, and also reduce costs by providing assistance only to those in need.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision: Not applicable.
2. Other: None.

B. RULE-MAKING AUTHORITY: None.

C. DRAFTING ISSUES OR OTHER COMMENTS: None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

n/a

⁸ *The Employment Impact of a Comprehensive Living Wage Law, Evidence from Florida*, McPherson, June 2002. Online at: http://www.epionline.org/study_MacphersonFlo_6-2002.pdf