

FINANCIAL IMPACT OF THE NEVADA MINIMUM WAGE INCREASE INITIATIVE

FINANCIAL IMPACT – CANNOT BE DETERMINED

OVERVIEW

The Nevada Minimum Wage Increase Initiative (Initiative) proposes to amend Article 15, Section 16 of the *Nevada Constitution* to increase the statewide minimum wage from \$7.25 per hour (or \$8.25 for employees who are not offered health insurance) to \$9.25 per hour for all employees, upon the effective date of the amendment. The hourly rate would increase to \$10.00 per hour on January 1, 2020; \$10.75 per hour on January 1, 2021; \$11.50 per hour on January 1, 2022; \$12.25 per hour on January 1, 2023; and \$13.00 per hour on January 1, 2024. On January 1, 2025, and each January 1st thereafter, the minimum wage would be adjusted upwards by an amount equal to any increases in the federal minimum wage during the previous year, or, if greater, by the increase in the cost of living, as determined by a formula specified in the Initiative based on changes in the Consumer Price Index.

FINANCIAL IMPACT OF THE INITIATIVE

Pursuant to Article 19, Section 4 of the *Nevada Constitution*, an initiative proposing to amend the *Nevada Constitution* must be approved by the voters at two successive general elections in order to become a part of the *Constitution*. If this Initiative is approved by voters at the November 2016 and November 2018 General Elections, the provisions of the Initiative would become effective on the fourth Tuesday of November 2018 (November 27, 2018), when the votes are canvassed by the Supreme Court pursuant to NRS 293.395.

The Fiscal Analysis Division has identified the following potential impacts upon state and local governments, if the provisions of the Initiative were to become effective:

1) Based on information provided by the Division of Human Resource Management of the Department of Administration, the State of Nevada currently employs persons whose wage is below the minimum wage rates specified in the Initiative. The state government employees whose wage is below the minimum wage rates specified in the Initiative would be required to be paid the applicable minimum wage, based on the effective dates of the wage rates specified therein.

The Fiscal Analysis Division has additionally received information from local governments, including cities, counties, and school districts, indicating that some of these entities have employees who are currently paid less than the minimum wage rates specified in the Initiative, and who may be affected by the provisions of the Initiative beginning in Fiscal Year 2018-19 (the first fiscal year for which the provisions of the Initiative can become effective).

2) The Department of Employment, Training and Rehabilitation has indicated that the provisions of the Initiative may result in additional expenditures relating to the following program areas:

- The Bureau of Vocational Rehabilitation and the Bureau of Services to the Blind and Visually Impaired, which provide certain community-based assessment and work experience programs, may be required to increase wages to clients while they are working in these programs based on the minimum wages specified in the Initiative.
- The Department has indicated that the increase in the minimum wage specified in the Initiative may reduce the profits for business operations participating in the Blind Business Enterprise of Nevada program as a result of increased wages paid, which in turn reduces the amount of profit that is set aside for that program.

- The Department has indicated that any increases in the statewide average wage that are caused by these increases in the minimum wage may affect the amount of unemployment insurance (UI) benefits that are paid to eligible persons in the state, which may affect distributions from the trust fund that is used to pay these claims. The increases in benefits paid may require additional contributions to be made by employers in the state to offset the increases in benefits.

3) The Labor Commissioner of the Department of Business and Industry has indicated that the enactment of the Initiative may require the Office of the Labor Commissioner to repeal, modify, or draft new regulations relating to the enforcement of these provisions. The Labor Commissioner has additionally indicated that the elimination of the current two-tier minimum wage provisions contained within Article 15, Section 16 of the *Nevada Constitution* may result in a change in the workload of the Office of the Labor Commissioner, due to a potential reduction in the number of claims filed with the Office resulting from the switch from the two-tier minimum wage structure to a single minimum wage for all employees.

The Fiscal Analysis Division cannot determine the number of persons whose wage will be less than the specified minimum wage rates contained within the Initiative either upon the effective date of the Initiative or at any point after the effective date of the Initiative, and who would therefore require an increase in wages that would satisfy the provisions of the Initiative. Additionally, the Fiscal Analysis Division cannot predict any actions that may be taken by the federal or state government to increase the minimum wage above the current Nevada minimum wage of \$8.25 per hour for employees who are not offered qualifying health insurance, or \$7.25 per hour for employees who are offered qualifying health insurance. The Fiscal Analysis Division also cannot predict any actions taken by state or local governments that would either affect the number of persons employed by these entities or that would increase the pay for employees or positions whose current wage is below the thresholds specified by the Initiative to a level that satisfies the minimum wage rates in the Initiative. Thus, the potential financial impact on state and local governments cannot be determined with any reasonable degree of certainty.

Additionally, the Fiscal Analysis Division cannot determine the average wage of employees on or after the effective date of the Initiative that would be used to calculate unemployment insurance (UI) benefits paid in Nevada, nor can it estimate the number of persons who may be receiving UI benefits or any potential changes in the UI contribution rate paid by employers after the Initiative becomes effective. Thus, the potential effects upon the UI trust fund cannot be determined by the Fiscal Analysis Division with any reasonable degree of certainty.

The Administrative Office of the Courts has indicated that the provisions allowing employees to bring actions in the state courts for claims of violations of the Initiative would have no additional financial impact upon state government.

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