

FINANCIAL IMPACT ESTIMATING CONFERENCE

INITIATIVE FINANCIAL INFORMATION STATEMENT SUMMARY

RAISING FLORIDA'S MINIMUM WAGE (18-01)

There is a direct cost associated with increasing employee wages to meet the new required minimums. Relative to the private sector, state and local governments have fewer options for addressing these costs. Nearly all of them involve some reduction in the number of affected employees or the number of hours they work. The costs remaining after governments exercise these options will result in increased expenditures on wages. The increased expenditures on wages will necessitate reductions in spending on other items in government budgets unless increased revenues are enacted.

Overall, the impact grows over time as the difference between the minimum wage under current law and under the proposed amendment increases and as more employees become affected. In the first full year of impact, increased wage costs are estimated to reach approximately \$16 million. These cost increases grow to about \$540 million in 2027, when the specified changes are fully implemented. The impact differs for each type of government. Of the total, school districts will face the greatest annual cost increases.

Two other areas of government costs and one revenue source will also be affected by the proposed constitutional amendment. All of them affect both state and local governments, but to varying degrees.

First, the cost of current government contracts will increase. State and local governments use private contractors to perform government services in lieu of direct service provision by government employees. The cost to the private sector of supplying these services depends in part on the price of labor. As private sector labor costs become more costly, government contract expenditures will as well. The total amount of increase is unknown, but it is likely less than the full minimum wage cost to the underlying businesses.

Second, there will be an impact to means-tested public programs, such as Medicaid. Some minimum wage workers near the upper edge of income thresholds may lose their eligibility for public assistance. Similarly, some future entrants may no longer qualify after the new minimum wage levels take effect. Offsetting these effects will be any additional participation induced by job losses or reductions in hours worked caused by the higher minimum wage. The end result is ambiguous with respect to program participation and as to whether state costs will marginally increase or decrease.

Finally, the impact on sales tax collections depends on the relative sizes of forces that move in divergent directions. Minimum wage workers will increase their purchases, and some businesses will increase prices to pass on the cost of the higher wages. Both of these effects increase sales tax revenues. However, depending on the price sensitivity of consumers, sales of products experiencing the price increases will be dampened by the higher prices, with some sales delayed and others no longer taking place. This will exert downward pressure on collections. It is probable that the net outcome on sales tax collections is positive, at least in the short run, but the magnitude is unknown and cannot be quantified.