

Fiscal Estimate Narratives

DOA 3/12/2014

LRB Number	13-3641/4	Introduction Number	AB-0791	Estimate Type	Original
Description Minimum hourly wages for procurement contracts entered into by an executive branch agency, granting rule-making authority, and providing a penalty					

Assumptions Used in Arriving at Fiscal Estimate

2013 AB 791 would require that full-time staff of employers who hold contracts with state agencies for services that are valued at \$100,000 or more, or contracts valued at less than \$500,000 and held by a contractor employing 10 or less staff, are paid the lesser of an hourly wage paid to a state employee completing similar duties or an hourly living wage. An hourly living wage is defined as 100% of the federal poverty level for a family of three divided by 2,080 hours, and would be established by the Department of Workforce Development (DWD). DWD would also be responsible for responding to complaints and otherwise enforcing the bill's provisions. Based on the 2014 federal poverty level guidelines, the hourly living wage would be \$9.50.

The Department generally administers procurement and contracting for state agencies. Contracting for services is allowed when it has been determined that to do so would be more cost effective than providing for the services through employees hired by the state.

Any cost increases to a contractor would likely result in an increase in the cost to the state for the contract. The Department does not have information as to the hourly wages paid by contractors to their employees, and also does not have information as to the number of contracts for more than \$100,000, less than \$500,000, and the number of staff employed for a contract. Therefore, contractual services cost increases resulting from increases in the hourly wage paid by contractors to employees is not determinable at this time. The requirements would apply to bids/proposals solicited subsequent to the effective date of AB 791 and the Department estimates there would be a one-time cost of approximately \$14,700 associated with updating contracts and related materials, and notification of impacted/interested entities.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$14,700			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$		\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>		<u>Local</u>
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$		\$
Agency/Prepared By		Authorized Signature	Date
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