

Governor's FY 2018 Budget: Articles

Staff Presentation to the House Finance
Committee
February 7, 2017

Introduction

- Article 20 – Minimum Wage
- Article 21 – Department of Labor and Training Fees and Fines
 - Apprentice fees
 - Employee misclassifications
 - Electrical trades violations
 - Employer wage & hour violations
 - Employer unemployment tax penalties

Article 20 – Minimum Wage

- Increases minimum wage
 - From \$9.60 to \$10.50 per hour
 - Effective October 1, 2017
- Last increased by 2015 Assembly
 - From \$9.00 to \$9.60 per hour
 - Effective January 1, 2016
- Increased 3 times between 2013 & 2016
 - Prior to 2013, last increased 2007

Article 20 – Minimum Wage

Recent RI History	
Effective	Hourly Wage
1999	\$6.15
2004	\$6.75
2006	\$7.10
2007	\$7.40
2013	\$7.75
2014	\$8.00
2015	\$9.00
2016	\$9.60

Article 20 – Minimum Wage

State	Minimum Wage
Connecticut	\$10.10
Maine*	\$9.00
Massachusetts	\$11.00
New Hampshire	\$7.25
Rhode Island	\$9.60
Vermont	\$10.00
U.S. Average	\$8.40

*Data from US Department of Labor as of 1/1/17; *ME as of 1/7/17*

- Vermont will be indexed to inflation starting in 2019; Maine will be indexed beginning after 2020

Article 20 – Minimum Wage

- Federal minimum of \$7.25
 - Last raised in 2009
- States w/ higher minimum wage:

California - \$10.50	Connecticut - \$10.10
Arizona - \$10.00	Vermont - \$10.00
Arkansas - \$9.80	Oregon - \$9.75
New York - \$9.70	D.C. - \$11.50

Article 20 – Minimum Wage

State Minimum Wage Tiers		
\$7.25	21	41%
\$7.26 - \$8.49	9	18%
\$8.50 - \$9.50	9	18%
> \$9.51	12	24%
Total	51	100%

Includes Washington D.C. Data from US Department of Labor as of 1/1/17

Article 20 – Minimum Wage

- Exception wages for:
 - Employees receiving gratuities or incentive-based wages
 - Full-time students under 19 years of age working in nonprofit religious, educational, library, or community service organizations
 - Workers 14 and 15 who do not work more than 24 hours in a week
 - Workers employed in domestic service

Article 20 – Minimum Wage

- Direct state budget expenditure impact relates only to the Department of Environmental Management
 - Certain seasonal workers
 - Estimated FY 2018 impact ~\$0.1 million

Article 21 – DLT Fees & Fines

FY 2018 Budget	
Apprentice fees	\$(45,000)
Employee misclassifications	100,000
Electrical trades violations	100,000
Employer wage & hour violations	150,000
Failure to maintain payroll records*	300,000
Total General Revenues	\$605,000
Unemployment tax penalties	125,000
Total All Sources	\$730,000

*Not part of the article but revenues assumed in Governor's budget

Article 21 – DLT Fees & Fines

- Sections 1 – 4: Apprentice Fees

Apprentices	Annual Fee
Electricians	\$20
Plumbers, Irrigators Water System Installers	\$20
Mechanical Trades (sprinkler fitter, sheet metal, pipefitter, refrigeration/AC)	\$24
All other apprentices	\$24
Apprenticeship program sponsor	\$120

Article 21 – DLT Fees & Fines

- Sections 1 – 4: Apprentice Fees
 - Exemption for some
 - Sponsors holding contractor/master license
 - Apprentices in US Department of Labor approved educational programs
 - Article would eliminate all fees
 - DLT requested legislation as a mechanism to incentivize employers to establish apprenticeship programs

Article 21 – DLT Fees & Fines

- Sections 1 – 4: Apprentice Fees
 - Governor's budget includes loss of \$45,000

Fiscal Year	Revenue
FY 2014	\$41,000
FY 2015	\$37,634
FY 2016	\$42,445

Article 21 – DLT Fees & Fines

- Section 5: Electrical Trades Violations
 - Current law:
 - \$500 for first violation
 - \$950 for subsequent violations
 - Article 21 increases penalty for violations
 - \$1,500 for first violation
 - \$2,000 for subsequent violations
 - Would be consistent with the other trades in the professional regulation unit
 - Budget includes \$100,000 more revenue

Article 21 – DLT Fees & Fines

- Section 6: Employer Wage & Hour Violations
 - New penalty for employers that violate wage & hour laws
 - 15%- 25% of total wages owed for a first violation
 - 25%- 50% for subsequent violations in a three year period
 - \$150,000 in additional revenue assumed
 - About 500 claims annually

Article 21 – DLT Fees & Fines

- Section 6: Employer Wage & Hour Violations
 - In determining the penalty, the DLT director shall consider the following:
 - Good faith of the employer
 - Gravity of the violation
 - History of previous violations
 - Whether violation was “innocent mistake” or “willful violation”

Article 21 – DLT Fees & Fines

- Section 7: Employee Misclassification
 - Increase employee misclassification minimum penalty
 - \$500 to \$1,500 for each misclassification
 - Estimated to generate \$100,000
 - Shared between DLT & claimant pursuant to state law
 - Budget includes \$100,000 additional revenue
 - Appears only \$50,000 would go to state

Article 21 – DLT Fees & Fines

- Section 7: Employee Misclassification
 - Article does not change maximum penalties
 - \$3,000 for 1st /\$5,000 for subsequent offenses
 - In determining the penalty, the DLT director shall consider the following:
 - Good faith of the employer
 - Gravity of violation
 - History of previous violations
 - Whether violation was “innocent mistake” or “willful violation”

Article 21 – DLT Fees & Fines

- Section 7: Employee Misclassification
 - 2014 Assembly created task force to combat the underground economy & prevent misclassification of employees
 - Representatives of DLT, Taxation, DBR, AG, State Police and Workers' Compensation Court
 - Tasked with educating business owners & employees, joint investigations, protecting workers' rights, & restoring competitive equality for law abiding businesses

Article 21 – DLT Fees & Fines

- Failure to Maintain Payroll Records
 - Current law requires employer to maintain payroll records for 3 years
 - DLT has right to access and inspect records
 - Standard practice is to request 3 years of info when complaints are received
 - Department handles about 500 claims annually
 - About 20% of those investigations reveal employers without payroll records

Article 21 – DLT Fees & Fines

- Failure to Maintain Payroll Records
 - DLT will implement a new penalty for employers that do not maintain payroll records
 - \$250 per quarter
 - Would be \$3,000 for an employer that does not maintain payroll records for 3 years
 - Authority through rules and regulations
 - Not in Article but Governor's budget assumes \$300,000 in additional revenues

Article 21 – DLT Fees & Fines

- Section 8: UI Penalties
 - Current law: Employers must make quarterly wage reports to DLT for accurate determination of UI benefits owed
 - \$25 penalty for failure to submit data for each month report is delinquent up to a max of \$150
 - Increases maximum penalty to \$200

Article 21 – DLT Fees & Fines

- Section 8: UI Penalties
 - Current law: \$10 penalty for failure to submit a timely employer unemployment tax report
 - Levied every day up to max of \$150
 - Increases penalty to \$25 with a maximum of \$200
 - Penalty for non-payment unchanged at 10% of amount due
 - Neither fee has increased in decades
 - Both measures expected to generate \$125,000 of receipts for DLT

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