



## Raising Florida's Minimum Wage

### Background

A citizens' initiative (Floridians for a Fair Wage) is promoting a Constitutional Amendment on the November 2020 ballot which:

- Raises the minimum wage to \$10.00 per hour effective September 30, 2021
- Each September 30 thereafter, the minimum wage shall increase by \$1.00 per hour until the minimum wage reaches \$15.00 per hour on September 30, 2026.
- From that point forward, future minimum wage increases shall revert to being adjusted annually for inflation starting September 30, 2027.

Florida's current minimum wage is \$8.56 per hour and is adjusted each January 1 based on the Consumer Price Index (CPI).

### Amendment Proponents say....

- Raising the minimum wage would increase economic activity and spur job growth
- Increasing the minimum wage will help low income workers better afford the cost of living
- A higher minimum wage would reduce government welfare spending
- Current minimum wage has not kept up with inflation and is not high enough to allow people to afford everyday essentials
- Raising the minimum wage would increase school attendance and decrease high school drop-out rates

### Amendment Opponents say....

- Increasing the minimum wage would force businesses to lay off employees and raise unemployment level
- Once the minimum wage is increased, other costs e.g. local rents will increase proportionally and there is no difference for the wage earner
- A minimum wage increase would hurt businesses and could force some companies to close
- The free market should determine minimum wages, not the State government

State and local government costs will increase to comply with the new minimum wage levels. 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.

Government actions to mitigate these costs are unlikely to produce material savings. Other government costs and revenue impacts, both positive and negative, are not quantifiable.

There is a direct cost associated with increasing employee wages to meet the new required minimums. Relative to the private sector, options reduction in the number of affected employees or the number of hours they work.

The increased expenditures on wages will necessitate reductions in spending on other items in an organization's budgets unless increased revenues are enacted.

This amendment will impact state and local government whereby school districts will face the greatest annual cost increases.

Two other areas of government costs and one revenue source will also be affected. 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 increase. The total amount of increase is unknown, but it is likely less than the full minimum wage cost to the underlying businesses.

There will be an impact regarding 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.

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.

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.

#### **Position**

**The Daytona Regional Chamber opposes Amendment 2 to increase Florida's minimum wage to \$15 as it would severely impact our hospitality industry and other small businesses which are critical to our local economy.**

**Additionally, the Daytona Regional Chamber opposes placing issues into Florida's Constitution that can be addressed through the legislative process.**

**5/2020**