



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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*This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.*

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**Bill Number:** S. 533      Introduced on February 9, 2021  
**Author:** Shealy  
**Subject:** Minimum Wage  
**Requestor:** Senate Labor, Commerce, and Industry  
**RFA Analyst(s):** Coomer  
**Impact Date:** March 24, 2021

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### **Fiscal Impact Summary**

This resolution will have an undetermined impact on General Fund, Federal Funds, and Other Funds expenditures and local government expenditures due to the prohibition of the payment of subminimum wages to individuals with disabilities under the Fair Labor Standards Act (FLSA).

This resolution will have no expenditure impact on the Department of Disabilities and Special Needs (DDSN).

This resolution will have no expenditure impact on the Vocational Rehabilitation Department (VRD) as the agency does not participate in the practice of paying subminimum wages.

### **Explanation of Fiscal Impact**

#### **Introduced on February 9, 2021**

##### **State Expenditure**

This resolution prohibits the use of Section 14(C) of the FLSA to pay subminimum wages to individuals with disabilities. If authorized by the United States Department of Labor, an employer currently can pay a special minimum wage that is less than the federal minimum wage to an individual whose earning or productive capacity is impaired by age, physical or mental deficiency, or injury.

**Department of Administration.** The Department of Administration (DOA) indicates that there is no data available to estimate the expenditure impact of this bill on state agencies because state payroll information does not indicate the disability status of individuals. Therefore, this resolution will have an undetermined impact on General Fund, Federal Funds, and Other Funds expenditures.

**Department of Disabilities and Special Needs.** This resolution will have no direct expenditure impact on DDSN. However, DDSN surveyed a number of entities about the impact of this resolution. Eighteen of the thirty-two responding entities reported possessing a certificate issued under Section 14(C) of the FLSA and employing individuals with disabilities at subminimum wage levels. These entities reported employing approximately 838 individuals on 119 contracts with businesses. Prior to the COVID-19 public health emergency, the number reportedly totaled

more than 1000 individuals on over 200 contracts. These entities employ approximately 205 staff to support these individuals who are working in subminimum wage work. A total of nine entities report a plan to transition those individuals to minimum wage jobs. The entities also reported that they planned to make approximately 200 additional referrals of former subminimum wage workers to VRD if 14(C) access is eliminated.

**Vocational Rehabilitation Department.** VRD indicates that it does not use subminimum wages with its consumers. Consumers receiving job readiness training as part of their rehabilitation are paid a training stipend by VRD, and this stipend has been set at or above the minimum wage level since January 2016. Currently, VRD works with 13,020 individuals with disabilities who are seeking employment. The agency indicates that any of these individuals placed into employment through VRD must be earning at least minimum wage for the placement to be considered a successful employment outcome. This bill will have no expenditure impact on VRD as the agency does not participate in the practice of paying subminimum wages.

#### **State Revenue**

N/A

#### **Local Expenditure**

Using data available through the United States Department of Labor, RFA identified multiple county government agencies as holding or having applied for a subminimum wage certificate as of January 2021. Cherokee County Disabilities and Special Needs Board and Colleton County Disabilities and Special Needs Board were included on this list as paying a subminimum wage. Thirty-six individuals were paid a subminimum wage under this certificate in Cherokee County and twenty-nine individuals were paid a subminimum wage under this certificate in Colleton County. The expenditure impact of this resolution on local government expenditure is undetermined because exact wage data is not available and because RFA cannot estimate if any action will be taken to reduce the number of employed individuals by employers who pay a subminimum wage.

#### **Local Revenue**

N/A



Frank A. Rainwater, Executive Director