

# State Resolution Could Result in \$1.47 Billion in Lost Wages for Young Workers and Foregone Sales Tax Revenue for Florida

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## Executive Summary

In November 2020, state voters approved the passage of Amendment 2, sending a clear signal that Floridians value bringing working people closer to a living wage. Now, the State Legislature has introduced Senate Joint Resolution (SJR) 854,<sup>1</sup> which would ask voters to authorize the Florida Legislature to set a lower minimum wage for select groups. These groups include Floridians with felony convictions, those who are incarcerated, under-21 workers, and people otherwise categorized as “hard-to-hire” (which remains undefined in this resolution).

Florida Policy Institute (FPI) assessed the impact on one of the groups targeted in the resolution — youth — and found that SJR 854 would put more than 3 in 4 young Florida workers at risk of being paid a subminimum wage, indefinitely. In its analysis, FPI examines what could happen under SJR 854 if lawmakers decided to set the subminimum wage at its current \$8.65 rate. FPI found that by the time the \$15 minimum wage is fully implemented, the resolution would take a collective \$1.47 billion out of young workers’ pockets in the form of lost wages and result in the annual loss of \$112 million in sales tax revenue.

## Introduction

Under Amendment 2, Florida’s minimum wage is set to increase from \$8.65 to \$10 per hour in September 2021 and then rise annually by \$1 until it reaches \$15 in 2026. After that, the state will resume marginally raising the minimum wage each year, based on the cost of living (i.e., the consumer price index).

A previous FPI analysis estimates that the new minimum wage will increase pay for as many as 2.5 million Floridians, especially women, Black and Latino workers, and those in the service sector, many of whom are immigrants.<sup>2</sup> Amendment 2 does not require legislative implementation to take effect.

### Overview of SJR 854

Senate Joint Resolution (SJR) 854, which was introduced ahead of the 2021 legislative session, would send to the ballot a measure granting state lawmakers the authority to set a lower minimum wage for people

### HOW DOES A JOINT RESOLUTION BECOME LAW?

A joint resolution is the only authorized method by which the Florida Legislature may propose amendments to the State Constitution. If passed, the proposed amendment would appear on a statewide ballot for voter approval or rejection. It must pass each house by a three-fifths vote of the membership.

Source: Florida Senate Glossary, <https://www.flsenate.gov/Reference/Glossary>

with felony convictions, those under age 21, those currently incarcerated, and “hard-to-hire” Floridians. While named in the bill, incarcerated Floridians are unlikely to be impacted, as they already earn well under the state and federal minimum wage.<sup>3</sup>

The bill is presented as a way to encourage companies to employ “hard-to-hire” populations who persistently face unemployment.<sup>4</sup> In reality, however, establishing a subminimum wage would have just the opposite effect — denying countless Floridians equitable pay while doing nothing to address the systemic barriers far too many Floridians already face to gainful employment.

## SJR 854 Would Particularly Harm Young Floridians

Voices across the state have rightly expressed alarm over the negative impact that SJR 854 would have on 1.5 million Floridians who were formerly incarcerated,<sup>5</sup> given that more than 1 in 4 already struggle to find work and have years of lost wages to recoup.<sup>6</sup> Yet little has been said of another key group explicitly targeted by this bill — young Floridians.

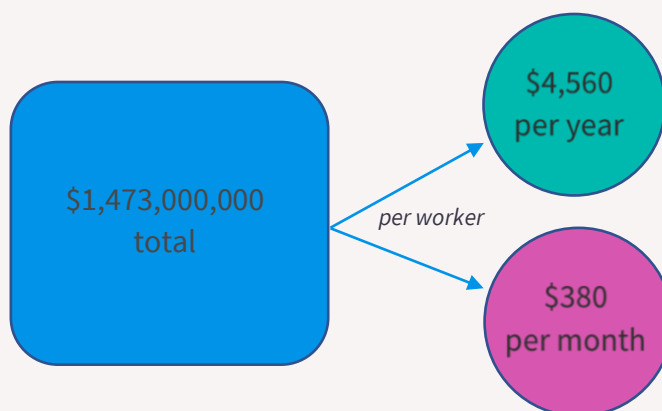
### More than 3 in 4 Young Working Floridians Could Face Subminimum Pay

Nearly 323,000 Floridians aged 16 to 21 stand to see a direct pay increase by the time the \$15 minimum wage is fully implemented in 2026. However, under SJR 854, these youth would no longer be entitled to the new minimum wage, so this bill would negatively impact a substantial majority (75.3 percent) of under-21 workers. This report only projects the impacts of relegating young Floridians to the state’s current minimum wage (\$8.65), so FPI’s estimates might be conservative. However, the groups named in this resolution could face a pay *cut*: if the Legislature opts to use their full authority under SJR 854, they could set this subminimum wage as low as the federal minimum wage, \$7.25 per hour, which sits far below Florida’s current rate.<sup>7</sup>

By 2026, young workers denied the new minimum wage are estimated to face \$1.47 billion in lost wages collectively. This figure breaks down to a loss of approximately \$4,600 per worker each year, or \$400 per month, among those aged 16 to 21. (See *Figure 2.*) This is a significant amount of money for many people — young or not — that can mean the difference between making rent, having enough nutritious food to eat, and being able to see a doctor.

It is also important to highlight that not all youth come from the same socioeconomic background. Working Floridians aged 16 to 21 include young

**Figure 2. YOUNG FLORIDIANS COULD LOSE \$1.47 BILLION IN WAGES UNDER SJR 854**



Source: Economic Policy Institute Minimum Wage Simulation Model (see *Methodology notes*)

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parents, immigrant youth aiding their families, teens saving for or putting themselves through college, youth in foster care, and those experiencing homelessness.

Moreover, as COVID-19 shuttered businesses and halted consumer spending, younger workers disproportionately found themselves unemployed, underemployed, and subjected to pay cuts.<sup>8</sup> The nation witnessed a similar shock in the wake of the Great Recession of 2007-2009, and by most accounts, that generation is still long off from economic stability more than a decade later.<sup>9</sup> While it remains too soon to tell if this generation will fare as badly as the post-Recession young workforce, denying today's young workers equitable wages would no doubt only make their prospects all the more uncertain.

## SJR 854 Would Hinder the State Economy

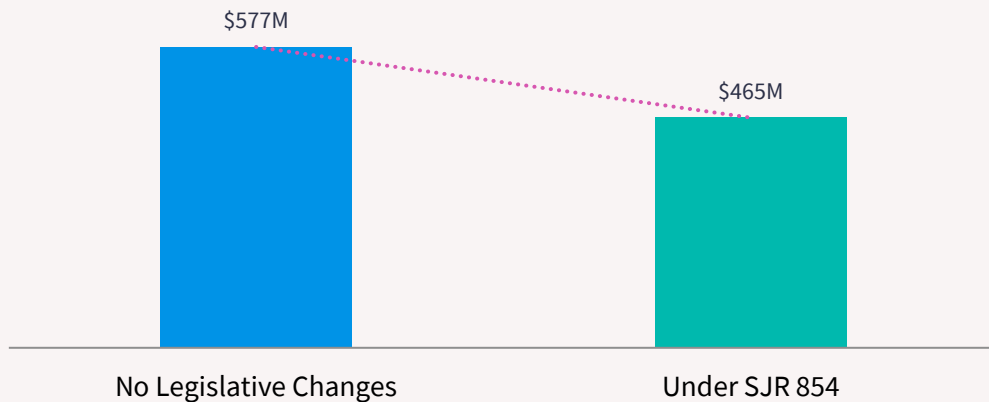
As FPI highlighted in its analysis of Amendment 2, higher wages are not just beneficial for working people, but they also stimulate economic growth, which ultimately benefits everyone. As Floridians who are paid low wages move closer to a living wage, they gain spending power (have more disposable income). This increased spending pumps revenue back into local businesses and the state overall as sales tax is collected.<sup>10</sup> Already, teenagers and those in their early 20s are responsible for nearly 40 percent of all consumer spending.<sup>11</sup>

Sidelining more than 322,000 consumers from this cycle — as SJR 854 proposes to do — would not only mean less money to small businesses and working Floridians, but less revenue to support the state budget. Specifically, Florida could lose an estimated \$112 million in sales tax revenue each year once the \$15 minimum wage takes effect, under SJR 854. This represents a 19-percent reduction from the currently anticipated sales tax gains under Amendment 2. (See *Figure 3*.)

Florida, lacking a personal income tax, relies on sales tax revenue to support critical areas like education and health and human services. More than 75 percent of Florida's General Revenue Fund, which finances most of these vital services, is comprised of sales tax revenue.<sup>12</sup> Furthermore, Florida households are the highest contributors to sales tax collections, more than the amount tourists and businesses pay combined.<sup>13</sup>

Yet as COVID-19 put more than 1 million Floridians out of work<sup>14</sup> and forced them to cut back on spending, the state experienced significant drops in revenue. The familiar calls to drastically cut state programs and funding have already begun. As such, Florida cannot afford to lose any more revenue; it certainly would if SJR 854 were to pass the Legislature and the ballot.

**Figure 3. FLORIDA COULD LOSE \$112M IN ANNUAL SALES TAX REVENUE, STARTING IN FY 2026-27, UNDER SJR 854**



Source: Institute on Taxation and Economic Policy Microsimulation Tax Model (see *Methodology*) showing additional sales tax revenue Florida can expect annually once Amendment 2 is fully implemented.

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## SJR 854 Would Subject to Pay Discrimination Countless “Hard-to-Hire” Workers

A final noteworthy point is that SJR 854’s ambiguous wording leaves the door open for statewide pay discrimination against a much broader swath of Floridians than just young and formerly-incarcerated people. *Hard-to-hire* is not defined in the bill, so any number of groups who already struggle to find meaningful work and pay could find themselves sidelined from Florida’s \$15 minimum wage under SJR 854, earning subpar wages indefinitely. This could include people with disabilities, older adults, immigrants not fluent in English, and countless others. Every Floridian deserves a chance to earn a living wage — no matter their age, skills, gender, or other arbitrary qualifiers.

## Conclusion

This resolution would put hundreds of thousands of Floridians at risk of being paid a subminimum wage, whether they are already working or are about to enter the workforce. As such, it is vital to understand SJR 854’s far-reaching implications, especially as too many people already struggle to put food on the table amid the economic fallout of the COVID-19 pandemic.

If Florida leaders value a robust and resilient workforce,<sup>15</sup> they should accept voters’ will on Amendment 2 and abandon the discriminatory SJR 854. There are numerous ways to remove employment barriers for Floridians. Denying Floridians the bare minimum of equitable pay and the opportunity to thrive should not be among them.

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## Methodology notes

- Data on SJR 854’s estimated impacts stem from the same model in FPI’s [September 2020 report](#) on Florida’s Amendment 2 from Economic Policy Institute (EPI). EPI’s Minimum Wage Simulation Model incorporates data from the U.S. Census Bureau, Bureau of Labor Statistics, and Congressional Budget Office (CBO), adjusting dollar values by projections for Consumer Price Index for all Urban Consumers (CPI-U) in CBO’s 2020 projections.
- That model evaluated the cumulative effects of Florida’s gradual minimum wage increase by the time it fully reaches \$15 per hour in 2026. A [subsequent](#) piece expanded on these estimates to predict the sales tax revenue these workers’ increased wages would likely bring to the state, using the [Institute on Taxation and Economic Policy \(ITEP\) Microsimulation Tax Model](#). FPI only reported projections of those who would see a direct pay increase under the new state minimum wage from these two models, producing conservative estimates of the impacts. Several thousand other Floridians would be indirectly impacted by the minimum wage as employers adjust their pay scales upward.
- This brief employs a counterfactual analysis with the same EPI model to predict how many of those who *would* have benefitted from Amendment 2 no longer will under SJR 854. ITEP built its sales tax revenue estimates on EPI’s analysis of the wage impact of increasing the minimum wage in Florida to \$15 an hour over six years. ITEP matched average effective sales and excise tax rates from its [Who Pays research project](#) to the average incomes identified in the EPI data for each of the under-21 workers groups. ITEP then multiplied the total wage increases for directly impacted under-21 workers from the EPI data by an assumed marginal propensity to consume (informed by [ITEP’s sales tax model](#), which is based on Bureau of Labor Statistics Consumer Expenditure Survey data) and by the average effective tax rates identified above. The result estimates the additional sales tax revenue the state would collect (or stand to lose) on an annual basis once the minimum wage is fully phased in, should these workers be excluded from the minimum wage increase. The sales tax figures have been adjusted to reflect 2019 prices, as this reflects the available data at the time of analysis and matches adjustments in EPI’s model.
- EPI’s model does not allow for a straightforward count of either incarcerated Floridians or those with felony convictions. As such, they were excluded from this analysis. For more detail on the assumptions underscoring this analysis, see [EPI Minimum Wage Simulation Model technical methodology](#) and [ITEP Microsimulation Tax Model-frequently asked questions](#).

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<sup>1</sup> Florida Senate, “SJR 854,” January 27, 2021, <https://flsenate.gov/Session/Bill/2021/854/ByCategory>

<sup>2</sup> Elly Rosenberg, “Florida Votes to Raise Minimum Wage to \$15 An Hour,” *Washington Post*, November 4, 2020, <https://www.washingtonpost.com/business/2020/11/04/florida-amendment-2-minimum-wage/>

<sup>3</sup> Wendy Sawyer, “How Much Do Incarcerated People Earn in Each State?” Prison Policy Initiative, <https://www.prisonpolicy.org/blog/2017/04/10/wages/>

<sup>4</sup> Greg Angel, “Florida Bill Would Limit Who Gets \$15 Per Hour Minimum Wage,” *Spectrum News 13*, January 29, 2021, <https://www.mynews13.com/fl/orlando/politics/2021/01/28/florida-bill-would-limit-who-gets--15-per-hour-minimum-wage>

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- <sup>5</sup> Caroline Glenn, “ ‘Tremendous fight’ looms in Florida over excluding ‘hard-to-hire’ workers from the minimum wage,” *Orlando Sentinel*, February 8, 2021, <https://www.orlandosentinel.com/business/os-prem-bz-brandes-reduced-minimum-wage-legislation-20210208-t7zxlreainc35mg5eybsd5rjy4-story.html>
- <sup>6</sup> American Civil Liberties Union-Florida, “Remove Employment Barriers for People with Past Convictions,” 2019, [https://www.aclufl.org/sites/default/files/field\\_documents/cjr\\_fl\\_ccjr\\_employment\\_barriers.pdf](https://www.aclufl.org/sites/default/files/field_documents/cjr_fl_ccjr_employment_barriers.pdf)
- <sup>7</sup> U.S. Department of Labor, “Minimum Wage,” <https://www.dol.gov/general/topic/wages/minimumwage>
- <sup>8</sup> Kim Parker and Ruth Igielnik, “On the Cusp of Adulthood and Facing an Uncertain Future: What We Know About Gen Z So Far,” Pew Research Center, Social & Demographic Trends, May 14, 2020, <https://pewrsr.ch/34S4YrB>
- <sup>9</sup> Julia Carpenter, “Many Young Americans Finances Haven’t Recovered from the Last Recession,” *Wall Street Journal*, June 30, 2020, <https://www.wsj.com/articles/many-young-americans-finances-havent-recovered-from-the-last-recession-11593518612>
- <sup>10</sup> Alexis Davis, “A Minimum Wage Boost Would Improve Equity for 2.5 Million Floridians and Bolster the State’s Post-Pandemic Recovery,” Florida Policy Institute, September 4, 2020, <https://www.floridapolicy.org/posts/a-minimum-wage-boost-would-improve-equity-for-2-5-million-floridians-and-bolster-the-states-post-pandemic-recovery>
- <sup>11</sup> Dominic-Madori Davis, “Gen Zers have a spending power of over \$140 billion, and it’s driving the frenzy of retailers and brands trying to win their dollars,” *Business Insider*, January 28, 2020, <https://bit.ly/3qGMZMR>
- <sup>12</sup> Office of Economic and Demographic Research, “Fiscal Analysis in Brief: 2020 Legislative Session,” September 2020, <http://edr.state.fl.us/Content/revenues/reports/fiscal-analysis-in-brief/FiscalAnalysisinBrief2020.pdf>
- <sup>13</sup> Alexis Davis and Esteban Leonardo Santis, “Florida Would See an Extra \$577 Million in Sales Tax Revenue Under Amendment 2,” Florida Policy Institute, October 30, 2020, <https://www.floridapolicy.org/posts/florida-could-see-an-extra-577-million-in-sales-tax-revenue-under-amendment-2>
- <sup>14</sup> “Florida Unemployment Dips to 6.1%, but Central Florida Still Struggling,” *WESH2 News*, January 22, 2021, <https://www.wesh.com/article/florida-unemployment-december/35293733>
- <sup>15</sup> Executive Office of the Governor, “Florida Leads, Fiscal Year 2021-2022 Budget,” January 2021, <http://www.floridaleadsbudget.com/content/current/Transportation.htm>