

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2018 REGULAR SESSION**

MEASURE

2018 BR NUMBER **0065**

SENATE BILL NUMBER **17**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to wages.**

SPONSOR **Senator Thomas**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: **Executive, Legislative, and Judicial branches.**

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2017-2018	2018-2019	2019-2020	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES	Indeterminable	Indeterminable	Indeterminable	Indeterminable
EXPENDITURES	Indeterminable	Indeterminable	Indeterminable	Indeterminable
NET EFFECT	Indeterminable	Indeterminable	Indeterminable	Indeterminable

() indicates a decrease/negative

MEASURE'S PURPOSE: The purpose of the measure is to raise the state minimum wage and increase the applicable threshold of employees of retail stores and service industries. The measure would also allow local governments to establish minimum wage ordinances in excess of the state minimum wage.

PROVISIONS/MECHANICS: Section 1 changes the definition in KRS 337.010(2)(a)6 of an employee of a retail store or service industry that is required to be paid the state minimum wage by increasing the average gross volume of sales requirement from \$95,000 to \$500,000.

Section 2 amends KRS 337.275(1) to increase the state minimum wage to \$8.20 per hour beginning on July 1, 2018, \$9.15 per hour beginning on July 1, 2019, and \$10.10 per hour beginning on July 1, 2020 (continuing to increase annually until 2025). The state minimum wage for tipped employees would increase to \$2.13 on the effective date of the Act, \$3.05 per hour beginning on July 1, 2018, \$3.95 per hour on July 1, 2019, and \$4.90 per hour beginning on July 1, 2020 (continuing to increase annually until 2025).

Section 2 also adds language to KRS 337.275 to allow local governments to establish local ordinances in excess of the state minimum wage.

FISCAL EXPLANATION: Based on data from January 2017 identifying Commonwealth employees earning minimum wage, the proposed increase in state minimum wage would increase wage and benefit costs in the next biennium approximately \$179,100 in FY 18, \$338,400 in FY 19, and \$693,200 in FY 20. This analysis does not account for any new hires, terminations, or employees who have received raises above current minimum wage rates.

The overall impact of SB 17 is indeterminable. Rising wages could have a positive impact on state income tax collections if conditions remained the same, however, employers may also reduce the number of employees/hours worked to offset increasing salary/wage expenses, which would negate the amount of state income tax withheld.

DATA SOURCE(S): Governor's Office for Policy and Management, LRC Budget Review Office and LRC Staff Economists

PREPARER: Sara Rome NOTE NUMBER: 6 REVIEW: JAB DATE: 1/8/2018