

The Kentucky League of Cities (KLC) believes SB 17 would result in the following estimated total cost increases for cities over the next 8 years, assuming no changes in payroll and no “wage push”ⁱ:

Fiscal Year	Est. Cost Increase for Cities
FY19	\$20,000
FY20	\$120,000
FY21	\$400,000
FY22	\$930,000
FY23	\$2,100,000
FY24	\$4,200,000
FY25	\$6,200,000
FY26	\$9,700,000

The increases are based on an assumed payroll growth of 2% for each year. If pay were held level, the increases would be larger. KLC believes, on the whole, that SB 17 would have a growing positive fiscal impact on most Kentucky cities in the first couple years following passage, but would have a significant positive fiscal impact in the later years following passage. Cities with an occupational license tax would likely see a significantly positive fiscal impact due to an increased tax base for collections. Four-fifths of cities with a population of 5,000 or more currently levy an occupational license tax. These larger population cities also have more jobs. Cities below 1,000 in population are prohibited from levying a payroll tax on a percentage of income basis unless they levied one prior to January 1, 2014. The bill could have a negative fiscal impact on those cities, as their costs from paying city employees a higher minimum wage would not be offset by increased revenues from occupational license taxes.

Counties, too, may impose an occupational license tax on salaries, wages, commissions, and compensation earned for activities conducted in the county, with some exceptions. The occupational license fee counties may impose range from 1% to 1.25%, depending on county population. License fees paid to a city are, generally, credited against the county license fee. Counties that have not imposed or do not have authority to impose an occupational license fee would not enjoy increased revenue from SB 17 and would have increased salary expenses for their minimum wage employees.

Part III: Differences to Local Government Mandate Statement from Prior Versions

Part II pertains to the bill as introduced and there are no prior introduced versions of the bill.

Data Source(s): LRC staff; Kentucky League of Cities

Preparer: Mary Stephens **Reviewer:** KHC **Date:** 2/21/18

ⁱ “Wage push” is the effect when employees earning wages more than the previous minimum wage request and receive salary increases corresponding to the new minimum wage.