Local Government Mandate Statement
Kentucky Legislative Research Commission
2019 Regular Session

Part I: Measure Information

Bill Request #: 167

Bill #: HB 182

Document ID #: 258

Bill Subject/Title: AN ACT relating to wages.

Sponsor: Representative Mary Lou Marzian

Unit of Government: **X** City **X** County **X** Urban-County
X Charter County **X** Consolidated Local **X** Unified Local Government

Office(s) Impacted: all that have employees who are paid minimum wage

Requirement: **X** Mandatory ___ Optional

Effect on
Powers & Duties: **X** Modifies Existing ____ Adds New ____ Eliminates Existing

Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

HB 182 would increase the minimum wage in Kentucky and would prohibit wage discrimination based on race or national origin.

Section 1 would amend KRS 337.010 to exclude from the definition of "employee" employees of retail stores, service industries, hotels, motels, and restaurants whose average annual gross volume of sales for the past 5 years is less than $500,000, which would increase the number of employers exempted from the requirement to pay the statutory minimum wage.

Section 2 of the bill would raise the mandatory minimum wage for non-tipped workers from the current $7.25/hour to $8.80/hour on August 1, 2019 and raise it by $1.55/hour each of the subsequent 4 years to, finally, $15/hour by August 1, 2023. The bill would make no change to the minimum wage for tipped workers.

Section 3 would establish the definition of "equivalent jobs" for the purposes of Kentucky's act prohibiting Wage Discrimination Because of Sex.

Section 4 would prohibit wage discrimination on the basis of race or national origin, and would establish that different wage rates based on objective criteria (for example, quantity or quality of output, or seniority) would not be a violation.

Section 5 of HB 182 would require the Kentucky Department of Workplace Standards to promulgate regulations to specify criteria for determining whether a job is dominated by employees of a particular sex, race or national origin, to establish a methodology for determining job equivalency, and other matters necessary to carry out the Act.

In 2018, based on FY 2018 wage information reported by cities adjusted to statewide figures, the Kentucky League of Cities (KLC) calculated the minimum wage increases proposed in HB 182 would result in the following cost increases for Kentucky cities:

Fiscal Year	Minimum Wage	Projected Year-Over-Year Expenditure Increases
2019	$8.80	$90,000
2020	$10.35	$910,000
2021	$11.90	$3,320,000
2022	$13.45	$6,190,000
2023	$15.00	$10,670,000

The projected expenditure increases may be reduced between 0-2% depending on raises or cost of living adjustments given minimum wage employees between the date of the above calculation and the effective date of HB 182. The reported wage information includes scheduled overtime, Social Security, Medicare, and County Employee Retirement System (CERS) contributions. It does not include any unscheduled overtime; other benefits that the city might provide that are affected by employee salaries; any wage push effect on positions close to the minimum wage; or any potential reductions in staff, realignment of duties or shifting to part-time work, etc., as cost-cutting measures. Data are insufficient to include costs that may be borne by counties should the minimum wage increase.

KLC believes, on the whole, that HB 182 would have a growing **positive fiscal impact** on most Kentucky cities in the first couple years following passage, and would have a **significant positive fiscal impact** in the later years following passage. Cities with an occupational license/payroll 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. The larger cities with a percentage-based payroll tax would likely see a significant positive financial impact. Cities below 1,000 in population are prohibited from levying a payroll tax as a percentage of income unless they levied one prior to January 1, 2014; typically, those smaller cities are more likely to pay their employees closer to minimum wage. The bill could have a **negative** fiscal impact on cities without a payroll tax, as their costs from paying city employees a higher minimum wage would not be offset by increased revenues from occupational license taxes.

Counties may also 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 a county may impose ranges 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 HB 182 and would have increased salary expenses for their minimum wage employees.

KLC reports that, according to the Washington, D.C.-based Economic Policy Institute, a $15/hour minimum wage would result in a cumulative change in total annual wages of all affected workers in Kentucky totaling $2,747,773,000 (in 2016 dollars). Using the CPI-U (Consumer Price Index for Urban Consumers), that would equate to $2,874,783,680 in 2018 dollars. Assuming 80 percent of the jobs are in cities that levy the average payroll tax rate of 1.33 percent, about $30.6 million more tax dollars would be produced through FY 2023.

If there was a beneficial effect on employee morale as a consequence of the "pay raises," there might be an increase in productivity or a decrease in turnover.

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

The Part II section above pertains to the bill as drafted and there are not any prior versions of the bill to complete the Part III section.

Data Source(s): Kentucky League of Cities

Preparer: Mary Stephens **Reviewer:** KHC **Date:** 1/4/19