

hiring of their right to earn paid sick leave, amount of sick leave provided, and terms of its use.

Employers would not be required to pay employees for unused sick leave on termination. An employer may limit the amount of sick leave that an employee may accrue or carry forward to 40 hours or 72 hours, based on the number of employees.

The bill would establish a minimum civil penalty of \$500 for each violation of Section 1 by an employer. Each day and each worker affected would constitute a separate offense.

Kentucky League of Cities (KLC) believes HB 47 “would have a **minimal to moderate negative financial impact** on cities.” Most cities currently provide as much leave time as the bill would require, though time is accrued based on length of service rather than hours worked. Since the bill does not differentiate between full and part-time employees, local government employers would have to provide paid sick leave to part-time employees and seasonal workers, which few currently do. KLC offers the following example of potential costs: a part-time employee working 30 hours a week would accrue 52 hours of sick leave per year. If the employee is paid \$15/hour, the value of that time is \$780, excluding additional direct costs (e.g. Social Security match) or peripheral costs (e.g. coverage during the employee’s absence). A local government in violation of the Act could be fined \$500 for each day of violation, for each employee affected. The median number of employees in a city is 12. If a 12-employee city is found in violation, it could owe as much as \$6,000 for each day of noncompliance. In a 31-day calendar month, the fine could be as much as \$186,000. Record keeping to insure compliance would have a negative fiscal impact on cities. Cities may need to redo personnel policies and their employee handbook, which would need to be reviewed and approved by their city attorney.

KLC believes the legislation could indirectly negatively impact cities by decreasing the competitiveness of city jobs. Cities have historically offered enhanced benefits packages (e.g. pension, leave time, holidays, health insurance, etc.) to recruit and retain employees at lower salaries than the private sector. If all employers provide the same minimum amount of sick leave, the difference between the benefits in the public and private sectors would be lessened, perhaps requiring cities to raise wages or increase benefits to compete for top talent.

Data is insufficient to confirm, but it can be assumed the bill would have a similar fiscal impact on county government employers.

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:** 12/28/18