Local Government Mandate Statement Kentucky Legislative Research Commission 2019 Regular Session

Part I: Measure Information

Bill Request #: 479 R1
Bill #: SB 76
Document ID #:
Bill Subject/Title: AN ACT related to sheltered employment.
Sponsor: Senator Ralph Alvarado
Unit of Government: X City X County X Urban-County Unified Local
X Charter County X Consolidated Local X Government
Office(s) Impacted: tax revenues
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

Sheltered employment, or "sheltered workshop," is "[a]n employment arrangement for people with disabilities in a self-contained work site, without integration with nondisabled workers." Under current law, KRS 337.010 excludes from the definition of "employee" a person employed at a sheltered workshop, and authorizes payment of less than minimum wage to such workers.

SB 76 Section 1 would amend KRS 337.010 to exclude from the definition of "employee" only those persons who began employment at a sheltered workshop before January 1, 2021. Section 2 would prohibit new employment in a sheltered workshop after January 1, 2021 unless no other employment opportunities are available, but would provide that persons employed in a sheltered workshop before that date may continue if the worker or his or her guardian approve. Section 3 of the bill would establish that, after January 1, 2021 "covered services and supports" for which money is available to participants in the Kentucky Independence Plus Through Consumer-Directed Services Program would no longer include referrals to, or securing new, employment at a sheltered workshop.

The fiscal impact of SB 76 on local governments is indeterminable but likely to be minimally positive. There are currently approximately 1,500 Kentuckians with a disability employed in sheltered workshops at 22 community rehabilitation providers and 2 other facilities in Kentucky. A 2016 census reported the average wage to be \$5.57 per hour with a low of \$.01 per hour and a high of \$9.92 per hour. (These wage figures are speculative because based on time and motion studies of experienced, able-bodied workers to determine the piece rate for a specific job; then, each worker with a disability undergoes the same study to determine the percentage of the market rate they are able to complete. The piece rate is adjusted by that percentage to create an individual piece rate for each worker. This piece rate does not correspond precisely with an hourly wage rate).

It is unknown how many of the workers would leave the sheltered workshop setting for competitive wage jobs in the local community. Those workers who did take jobs in the community would be paid at least minimum wage of \$7.25/hour and so would increase their spending power. Cities and counties that impose an occupational license tax would see an increase in occupational tax revenues based on the increased wages paid workers with a disability. As of 2018, 138 cities and 67 counties in Kentucky impose an occupational license tax (exclusive of Louisville/Jefferson County Metro and Lexington/Fayette Urban–County Government). First class cities may impose a license fee of up to 1.25% on wages; there is no specific statutory maximum on the license fees a home rule city may levy. Counties may impose an occupational license fee of 1% to 1.25% of wages.

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

Part II, above, pertains to SB 76 as introduced. There is no previous introduced version of the bill with which to complete Part III.

Data Source(s): Kentucky Department of Behavioral Health, Division of Developmental

and Intellectual Disabilities

Preparer: Mary Stephens **Reviewer:** KHC **Date:** 1/29/19