

**Local Government Mandate Statement
Kentucky Legislative Research Commission
2020 Regular Session**

Part I: Measure Information

Bill Request #: 132

Bill #: SB 13

Document ID #: 180

Bill Subject/Title: AN ACT relating to wages.

Sponsor: Senator Reginald Thomas

Unit of Government: County Urban-County
 Charter County Consolidated Local Unified Local
 Government

Office(s) Impacted: All offices with paid employees

Requirement: Mandatory Optional

Effect on

Powers & Duties: Modifies Existing Adds New Eliminates Existing

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

SB 13 **Section 2** would increase the minimum wage payable to an employee from the current \$7.25/hour to \$8.20/hour effective July 1, 2020, and increase the minimum wage on July 1 of each subsequent year in increments of 90¢ - \$1.05/hour, until reaching \$15/hour on July 1, 2027. The bill would exclude from the definition of “employee” those employees of retail stores, service industries, hotels, motels, and restaurant operations whose average annual gross volume of sales for business done for the previous 5-year period is less than \$500,000, excluding excise taxes at the retail level, or where the employee is the parent, spouse, child, or other member of the employer’s immediate family.

Section 2 would raise the minimum wage for tipped employees to \$2.13/hour, effective on passage of the Act, and incrementally each year thereafter until reaching \$4.90/hour on July 1, 2023.

The fiscal impact of SB 13 on local government is indeterminable.

Based on 2018 wage data, the Kentucky League of Cities (KLC) believes SB 13 would result in the following estimated total cost increases for cities over the upcoming biennium. With a rising minimum wage in years beyond the upcoming biennium, as proposed by SB 13, the annual cost to local governments would likely increase in future years.

Fiscal Year	Estimated Cost Increase for Cities
FY21	\$20,000
FY22	\$120,000

The increases are based on an assumed payroll growth of 2% for each year (due to cost of living raises).

The overall fiscal impact of SB 13 on local governments is indeterminable. Rising wages could have a positive fiscal impact for cities with an occupational license tax if employment and/or hours worked do not decrease in response to rising wages. However, employers may reduce the number of employees and/or hours worked to offset increasing wage expenses, which would reduce the amount of occupational license tax collected. The fiscal impact on local governments of these offsetting effects is indeterminable.

Cities, counties, and other entities that participate in the County Employees Retirement System would experience an increase in employer retirement contribution costs as a result of any increase in wages.

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

Part II pertains to the bill as introduced.

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

Preparer: Mary Stephens **Reviewer:** _____ **Date:** _____