



Based on FY 2020 wage data, the Kentucky League of Cities (KLC) believes HB 34 would result in the following estimated total cost increases for cities over the next 8 years, assuming no changes in payroll (e.g., no new employees hired, no retirements, etc.) and no “wage push”<sup>1</sup>:

Fiscal Year	Minimum Wage	Est. Increase in City Payroll
2022	\$8.20	\$41,000
2023	\$9.15	\$128,000
2024	\$10.10	\$350,000
2025	\$11.00	\$666,000
2026	\$12.05	\$1,445,000
2027	\$13.10	\$2,602,000
2028	\$13.95	\$3,885,000
2029	\$15.00	\$6,309,000

The increases are based on an assumed payroll growth of 2% for each year (due to cost of living raises). If payroll were held level, the increases would be larger.

Despite the estimated increase in payroll costs to cities, on the whole, HB 34 **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 with a population below 1,000 may also levy a payroll tax on a percentage basis. HB 34 **could have a negative fiscal impact on cities that do not levy a percentage payroll tax**, since their payroll costs from paying city employees a higher minimum wage could increase and not be offset by increased revenues from occupational license taxes.

Counties, too, may impose an occupational license tax, with some exceptions, ranging from 1% to 1.25% depending on population size. License fees paid to a city are, generally, credited against the county license fee. Counties without an occupational license fee would not enjoy increased revenue from HB 34 and could have increased salary expenses for their minimum wage employees.

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<sup>1</sup> “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.

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

Part II pertains to HB 34 as introduced.

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

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