

of its use. If the employer has fewer than 10 employees it would not be required to allow employees to carry forward more than 40 hours of sick leave from one year to the next; if the employer has 10 or more employees the employees need not be allowed to carry forward more than 72 hours. Employers would not be required to pay employees for unused accrued sick leave on termination.

Section 2 of the bill would establish a civil penalty of \$500 for each violation of Section 1 by an employer. Each day and each worker affected would constitute a separate offense.

HB 181 would have a **minimal to moderate negative financial impact** on cities. Kentucky League of Cities (KLC) reports that most cities already provide as much leave time as the bill would require, though time accrues based on length of service rather than hours worked. The bill does not differentiate between full and part-time employees, so 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 one 31-day calendar month, the fine could be as much as \$186,000.

KLC reports record keeping and policy changes 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. In FY 2020 the average salary paid by a city to a retained attorney was \$107/hour.

KLC believes the legislation could also 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 pursuant to HB 181 all employers provide the same minimum amount of sick leave, the difference between the benefits in the public and private sectors would be lessened, thereby forcing 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

Part II applies to HB 181 as submitted. There is no prior version.

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

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