

For tipped employees who customarily receive more than \$30/month in tips, HB 34 would raise the minimum wage to \$2.13/hour beginning on the effective date of the bill; and thereafter to

- \$3.05/hour beginning on July 1, 2023;
- \$3.95/hour beginning on July 1, 2024; and
- \$4.90/hour beginning on July 1, 2025.

Based on FY 2020 wage data, the Kentucky League of Cities believes HB 357 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” that results when employees making more than the previous minimum wage request a proportional increase corresponding to the new minimum wage.

Fiscal Year	Minimum Wage	Est. Increase in City Payroll
2023	\$8.20	\$40,000
2024	\$9.15	\$125,000
2025	\$10.10	\$343,000
2026	\$11.00	\$652,000
2027	\$12.05	\$1,416,000
2028	\$13.10	\$2,549,000
2029	\$13.95	\$3,806,000
2030	\$15.00	\$6,183,000

Despite the estimated increase in payroll cost to cities, the overall fiscal impact of HB 357 on cities is expected to be positive and increasing annually until the impact is significant in later years as the minimum wage increases. 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 357 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 357 and could have increased salary expenses for their minimum wage employees.

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

PART II refers to HB 357 as introduced. There are no prior versions of this bill.

Data Source(s): LRC Staff, Kentucky League of Cities

Preparer: Wendell F. Butler **Reviewer:** _____ **Date:** _____