Local Government Mandate Statement Kentucky Legislative Research Commission 2023 Regular Session

Part I: Measure Information

Bill Request #: 1534
Bill #: HB 471
Document ID #: 4155
Bill Subject/Title: AN ACT relating to wages.
Sponsor: Representative Josie Raymond
Unit of Government: X City X County X Urban-County Unified Local
X Charter County X Consolidated Local X Government
Office(s) Impacted: All local government offices
Requirement: X Mandatory Optional
Effect on Powers & Duties: Modifies ExistingX Adds New Eliminates Existing

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

HB 471 mandates a gradual increase in the state minimum wage. The increase would apply to all employees, including tipped employees and workers with a disability. The minimum wage would increase to \$13 per hour beginning July 1, 2024, \$14 per hour beginning July 1, 2025, and \$15 per hour beginning July 1, 2026.

HB 471 would likely have a slightly negative fiscal effect on local governments. According to the Bureau of Labor Statistics, as of 2020, approximately 37.2% of hourly workers in Kentucky earned less than \$15 per hour. While this figure is not limited to local government employment or even public sector employment in general, it does suggest that a significant portion of the state's workforce could benefit from the proposed Act.

If the bill was enacted and local governments are currently paying employees below the mandated level, their payroll costs would increase. It is possible that local governments may need to reduce their workforce to manage the increased payroll costs. However, research on the impact of minimum wage increases on public sector employment is mixed,

with some studies indicating that minimum wage increases can result in job losses, especially among low-skilled workers. However, other studies, such as a 2021 analysis from the Economic Policy Institute, suggest that minimum wage increases in the public sector can lead to higher wages for low-wage workers, reduced poverty, and no significant job losses or negative effects on government budgets. Nevertheless, local governments would experience an increase in payroll costs if their number of employees remained constant, although the extent of this increase would vary by location.

Counties and cities may impose an occupational license tax on salaries, wages, commissions, and compensation earned for activities conducted in the county, with some exceptions. The occupational license fee counties may impose ranges from 1% to 1.25%, depending on county population. License fees paid to a city are, generally, credited against the county license fee. Counties that have not imposed or do not have authority to impose an occupational license fee would not enjoy increased revenue from HB 471 and would 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 471 as introduced.

Data Source(s): LRC staff, Bureau of Labor Statistics

Preparer: Ryan Brown (MS) **Reviewer:** KHC **Date:** 3/2/23