

the local governing body would be authorized to establish a minimum wage, which would apply countywide.

Based on FY 2022 wage data for non-elected city employees, the Kentucky League of Cities (KLC) believes SB 42 would result in the following estimated total cost increases for all Kentucky cities combined over the next 5 years, assuming no changes in payroll (e.g., no new employees hired, no retirements, etc.). The estimate includes an assumed 2.5% annual wage growth expense due to cost-of-living wage increases.

Fiscal Year	Estimated Annual	
	Minimum Wage (\$)	Increase in Payroll (\$)
2025	\$ 10.00	\$ 181,000
2026	11.50	633,000
2027	12.50	1,226,000
2028	14.00	2,789,000
2029	15.00	4,216,000
Total		\$ 9,045,000

The above estimates include Social Security and Medicare contributions but do not include any contributions to the County Employees Retirement System (CERS).

The estimates in the table are wage increases for each year. For example, FY 2025 is only the increase to get those individuals below \$10 per hour up to the new minimum of \$10 per hour. In FY 2026, the increase includes only the cost of increasing those individuals getting paid \$10 per hour and less than \$11.50 per hour to the new minimum of \$11.50 per hour.

SB 42 could have a positive fiscal impact on cities and counties that impose an occupational license tax on workers in their jurisdiction. SB 42 could have a negative fiscal impact on cities and counties that do not levy a percentage payroll tax, since their payroll costs from paying employees a higher minimum wage could increase and not be offset by increased revenues from occupational license taxes. Despite the estimated increase in payroll costs, on the whole SB 42 **would have a growing positive fiscal impact on most Kentucky cities that impose an occupational license, or payroll, tax in the first couple years following passage, but would have a significant positive fiscal impact in the later years following passage.** Four-fifths of cities with a population of 5,000 or more currently levy an occupational license tax. These more populous cities also have more jobs. Cities with a population below 1,000 may also levy a payroll tax on a percentage basis. Cities with an occupational license tax would likely see a significantly positive fiscal impact due to an increased tax base for collections. Counties, too, may impose an occupational license tax, with some exceptions, ranging from 1% to 1.25% depending on population size. The Kentucky Association of Counties estimates 84 Kentucky counties currently impose an occupational license fee on workers in their county. 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 SB 42 but could have increased salary expenses for their minimum wage employees.

Of the approximately 1.1 million hourly wage earners in Kentucky, approximately 4,000 currently earn minimum wage of \$7.25 an hour.

See, <https://www.bls.gov/opub/reports/minimum-wage/2022/home.htm>.

It is unknown how many of those minimum wage workers in Kentucky are employed by local governments.

Data Source(s): Kentucky League of Cities; Office of the Kentucky Secretary of State; Kentucky Association of Counties; LRC staff; U.S. Bureau of Labor Statistics.

Preparer: Mary Stephens (BW) **Reviewer:** KHC **Date:** 1/18/24