

March 13, 2019

The Honorable Julia Lynn, Chairperson
Senate Committee on Commerce
Statehouse, Room 445-S
Topeka, Kansas 66612

Dear Senator Lynn:

SUBJECT: Fiscal Note for SB 141 by Senator Holland, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning SB 141 is respectfully submitted to your committee.

SB 141 would increase the Kansas minimum wage for all public and private employers with five incremental increases listed below:

1. On and after January 1, 2020, and prior to January 1, 2021, employee wages would be paid at a rate of not less than \$8.60 per hour.
2. On and after January 1, 2021, and prior to January 1, 2022, employee wages would be paid at a rate of not less than \$9.60 per hour.
3. On and after January 1, 2022, and prior to January 1, 2023, employee wages would be paid at a rate of not less than \$10.80 per hour.
4. On and after January 1, 2023, and prior to January 1, 2024, employee wages would be paid at a rate of not less than \$12.00 per hour.
5. On and after January 1, 2024, and prior to January 1, 2025, employee wages would be paid at a rate of not less than \$13.00 per hour.

Each January 1st thereafter, the minimum wage would increase by the sum of the percentage of the United States Department of Labor's Consumer Price Index for urban wage earners and clerical workers for the preceding 12 months as published in July of the previous year, rounded up to the nearest \$0.05. The minimum wage would also increase by the percentage in the average statewide wage rate for all industries based on the Quarterly Census of Employment and Wages published by the Labor Market Information Services of the Kansas Department of Labor, for the preceding 12 months as published in July of the previous year, rounded up to the nearest \$0.05.

Finally, the bill would increase the minimum wage for employees who receive tips and gratuities. On and after January 1, 2020 and on and after each successive January 1, the employer would pay at least 70.0 percent of the minimum wage rate required for the year as provided in the bill, rounded up to the nearest \$0.05.

The Department of Administration indicates that increasing the minimum wage as proposed in SB 141 would affect the Executive Branch, Judicial Branch and Legislative Branch as follows:

1. 143 employees at an annual cost is estimated at \$539,327 on January 1, 2020 when the rate increases to \$8.60;
2. 223 employees at an annual cost is estimated at \$303,804 on January 1, 2021 when the rate increases to \$9.60;
3. 478 employees at an annual cost is estimated at \$546,193 on January 1, 2022 when the rate increases to \$10.80;
4. 748 employees at an annual cost of approximately \$1.3 million on January 1, 2023 when the rate increases to \$12.00; and
5. 1,790 employees at an annual cost of approximately \$2.2 million on January 1, 2024 when the rate increases to \$13.00.

The above cost estimates are based on base salaries only and do not include benefits since the fringe benefit rate for calculation varies from year to year. Since these increases take effect on January 1st of each year, roughly half of the fiscal effect would occur in the fiscal year of the calendar year in which the increase takes effect, and the remaining half would occur in the following fiscal year.

The Board of Regents indicates that increasing the minimum wage as proposed in SB 141 would affect universities as follows:

1. 7,000 employees at an annual cost is estimated at \$2.3 million on January 1, 2020 when the rate increases to \$8.60;
2. 9,200 employees at an annual cost is estimated at \$3.1 million on January 1, 2021 when the rate increases to \$9.60;
3. 11,800 employees at an annual cost is estimated at \$6.4 million on January 1, 2022 when the rate increases to \$10.80;
4. 12,600 employees at an annual cost of approximately \$10.6 million on January 1, 2023 when the rate increases to \$12.00; and
5. 13,500 employees at an annual cost of approximately \$14.9 million on January 1, 2024 when the rate increases to \$13.00.

The Kansas Department of Revenue indicates that according to the Bureau of Labor Statistics, 26,000 workers in Kansas had hourly earnings at or below the minimum wage. Of that total, 9,000 individuals are working at the minimum wage. Assuming a 40-hour work week for 52 weeks, a \$1.35 increase in hourly wage would equate to an additional \$25.2 million in wages

in FY 2020. An increase of \$1.00 in hourly wage would equate to an additional \$18.7 million in FY 2021. An increase in hourly wage of \$1.20 would equate to an additional \$22.5 million in FY 2022. The 17,000 workers below the minimum wage are presumed to receive tips and gratuities. A minimum wage rate of at least 70.0 percent provided in the bill would be a \$3.92 increase and would equate to an additional \$138.6 million in FY 2020. A \$0.70 increase would equate to \$24.7 million in FY 2021 and an \$0.85 increase would equate to \$30.0 million in FY 2022. Utilizing an effective tax rate of 3.66 percent, the Department of Revenue arrives at a fiscal effect of \$6.0 million in additional income taxes for FY 2020, \$1.6 million for FY 2021 and \$2.0 million for FY 2022. Any fiscal effect associated with SB 141 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink that reads "L. L. Campbell". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Larry L. Campbell
Director of the Budget

cc: Dawn Palmberg, Department of Labor
Colleen Becker, Department of Administration
Chardae Caine, League of Municipalities
Jay Hall, Association of Counties
Lynn Robinson, Department of Revenue
Kelly Oliver, Board of Regents