

February 3, 2021

The Honorable Sean Tarwater, Chairperson
House Committee on Commerce, Labor and Economic Development
Statehouse, Room 151D-S
Topeka, Kansas 66612

Dear Representative Tarwater:

SUBJECT: Fiscal Note for HB 2033 by Representatives Xu, Haswood, Parker, Vaughn and Woodward

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2033 is respectfully submitted to your committee.

HB 2033 would increase the minimum wage in Kansas to \$10.00 per hour beginning January 1, 2022. Beginning January 1, 2023, the bill would increase the minimum wage by \$1.00 annually over the next five years until reaching a rate of \$15.00 per hour in calendar year 2027. The current minimum wage is \$7.25 per hour. The bill would also increase the minimum wage for occupations that receive tips and gratuities to \$3.13 per hour beginning January 1, 2022.

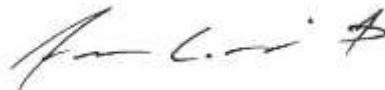
The Department of Revenue estimates the bill would have a negligible fiscal effect on State General Fund revenues. The Department indicates that any increases to income tax collections would be offset by decreased collections from the effects of employment and production costs.

It is estimated that the bill would increase state agency salaries and wages expenditures by \$2.7 million from all funds in FY 2022. This amount includes \$2.5 million estimated by the Board of Regents for state universities and \$209,424 estimated by the Department of Administration for all other Executive Branch agencies. The amount reflects half of the annualized amount for FY 2022 because the first minimum wage increase would begin on January 1, 2022. The Board of Regents and the Department of Administration indicate the fiscal effect on State General Fund expenditures is unknown. The Division of the Budget estimates the fiscal effect on State General Fund expenditures would be approximately \$1.0 million, or 37.0 percent of the total all funds fiscal effect. To calculate this estimate, the Division used information from the table titled "Statewide Salaries & Wages" in the *FY 2022 Governor's Budget Report*. The bill would affect approximately 4,700 employees in FY 2022, which includes about 4,600 university employees and 129

employees from all other Executive Branch agencies. According to the Office of Judicial Administration, HB 2033 would not have a fiscal effect on the Judiciary in FY 2022. The Judiciary would not experience an increase to salaries and wages until FY 2023. The Legislature estimates the bill would have a negligible fiscal effect in FY 2022.

The Board of Regents estimates salaries and wages expenditures would grow to \$18.7 million by FY 2027. For the Judiciary, the Office of Judicial Administration estimates costs would increase to \$427,778 by FY 2027. The long-term costs for all other Executive Branch agencies and the Legislature are unknown. The bill would also have a fiscal effect on local governments, but the fiscal effect is unknown. Any fiscal effect associated with HB 2033 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Jeff Scannell, Department of Administration
Dawn Palmberg, Department of Labor
Kelly Oliver, Board of Regents
Debbie Thomas, Judiciary
Karen Clowers, Legislative Services