

April 12, 2017

The Honorable Les Mason, Chairperson
House Committee on Commerce, Labor and Economic Development
Statehouse, Room 521-E
Topeka, Kansas 66612

Dear Representative Mason:

SUBJECT: Fiscal Note for HB 2316 by Representative Ward

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2316 is respectfully submitted to your committee.

HB 2316 would amend the state Minimum Wage and Maximum Hours Law by increasing the Kansas minimum wage from \$7.25 per hour to \$9.84 per hour beginning January 1, 2018; to \$12.42 per hour beginning January 1, 2019; and to \$15.00 per hour on and after January 1, 2020.

The minimum wage for employees who receive tips and gratuities would increase from \$2.13 per hour to \$2.48 per hour beginning January 1, 2018; to \$2.78 per hour beginning January 1, 2019; and to \$3.08 per hour on and after January 1, 2020. The provisions of the bill would not apply to any employers and employees who are covered under the federal Fair Labor Standards Act. The bill would be known as the Kansas Working Families Pay Raise Act.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	--	--
Expenditure	\$56,302	\$150,809	\$546,283	\$1,474,058
FTE Pos.	--	--	--	--

According to the Department of Administration, increasing the minimum wage would increase Executive Branch salaries and wages expenditures by \$150,809 in FY 2018 and by \$1,474,058 in FY 2019 from all funding sources. The Department's figures exclude Regents institutions because they utilize their own payroll system. Based on information contained in the "Statewide Salaries and Wages" table in *The FY 2018 Governor's Budget Report*, the percentage of total salaries and wages expenditures paid from the State General Fund is 37.3 percent in FY 2018 and 37.1 percent in FY 2019. Using these percentages, it is estimated that of the total

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additional expenditures needed from all funds, \$56,302 (\$150,809 X 37.3 percent) in FY 2018 and \$546,283 (\$1,474,058 X 37.1 percent) in FY 2019 would be from the State General Fund.

The Department estimates that increasing the minimum wage to \$9.84 an hour on January 1, 2018 would impact 221 Executive Branch employees at a cost of \$301,618 to base salaries annually. Approximately half of the cost, or \$150,809, would occur in FY 2018 because the effective date would be in the middle of the fiscal year. Increasing the minimum wage to \$12.42 an hour on January 1, 2019 would impact 1,599 Executive Branch employees at a cost of approximately \$2,646,498 to base salaries annually. The fiscal effect for FY 2019 would include the remaining half of the calendar year 2018 increase (\$150,809) plus the first half the calendar year 2019 increase (\$1,323,249). Increasing the minimum wage to \$15.00 an hour on January 1, 2020 would impact 4,765 Executive Branch employees at an all funds cost of approximately \$14,698,792 to base salaries annually. The fiscal effect for FY 2020 is estimated to be \$8,672,645 from all funds and \$3,214,066 from the State General Fund. The all funds amount includes the remaining half of the calendar year 2019 increase (\$1,474,058) plus the first half the calendar year 2020 increase (\$7,349,396). The State General Fund amount is calculated using the percentage of State General Funds to total salaries and wages expenditures in FY 2019.

The Office of Judicial Administration indicates that the bill would have no fiscal effect on the Judicial Branch because its employees are exempt under the Minimum Wage and Maximum Hours Law's definition of "employee." Information from the Legislature and Regents institutions was not available at the time this note was prepared.

The Department of Labor notes that HB 2316 could increase the state's average wage for purposes of calculating unemployment benefits. However, the Department is unable to determine what the resulting increase to benefits would be. Any fiscal effect associated with HB 2316 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Dawn Palmberg, Department of Labor
Bob North, Commerce
Colleen Becker, Department of Administration
Kelly Oliver, Board of Regents
Ashley Michaelis, Judiciary
Karen Clowers, Legislative Services