

February 4, 2019

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

Dear Representative Tarwater:

SUBJECT: Fiscal Note for HB 2022 by Representative Ward

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2022 is respectfully submitted to your committee.

HB 2022 would enact the Kansas Working Families Pay Raise Act which includes two increases to the state's minimum wage for all employees in the State of Kansas. Effective January 1, 2020, the minimum wage would increase from its current rate of not less than \$7.25 per hour to a rate of not less than \$11.00 per hour. The rate would then increase to not less than \$15.00 per hour on and after January 1, 2021.

The bill would also increase the minimum wage for employees who receive tips and gratuities. On January 1, 2020, the minimum rate for such employees would increase from the current rate of \$2.13 per hour to a rate of at least \$2.63 per hour. The rate would then increase to at least \$3.13 per hour on and after January 1, 2021. Employers would still be required to pay additional wages to employees whose combination of minimum wage and tips and gratuities did not equal the standard minimum wage referenced in the first paragraph. The combination must at least equal the standard minimum wage in effect at the time.

The Department of Administration estimates that increasing the minimum wage to \$11.00 per hour on January 1, 2020, would increase the base salaries of 478 executive branch, non-university employees at a total cost of \$1,429,296 annually. Increasing the minimum wage to \$15.00 per hour on January 1, 2021, would increase the base salaries of 3,642 executive branch, non-university employees at a cost of \$13,763,464. Taken together, HB 2022 would increase base salaries paid to the executive branch employees by \$15,192,760. The amount would increase total executive branch expenditures by \$714,648 in FY 2020, \$7,596,380 in FY 2021 and \$6,881,732 in FY 2022.

The Department of Labor estimates that there are 306,716 employees in Kansas that make less than \$11.00 per hour and there are an additional 580,210 employees that make less than \$15.00 per hour. The Department indicates the State of Kansas employs 1,484 employees who make less than \$11.00 per hour and 7,552 employees who make less than \$15.00 per hour. The agency does not have exact wages for local government or all employers; therefore, the fiscal effect cannot be provided. The agency estimated the fiscal effect on unemployment benefit payments because of the effect on the state's average weekly wage. There was no discernable effect on unemployment benefits.

According to the Board of Regents, increasing the minimum wage to \$11.00 per hour on January 1, 2020, would increase salaries for 8,600 university employees at a total cost of \$14,562,000 annually. Increasing the minimum wage to \$15.00 per hour on January 1, 2021, would increase salaries for 10,700 university employees at a cost of approximately \$34,866,100 annually. For universities, the total fiscal effect would be \$49,428,000 and would increase expenditures by \$7,281,000 in FY 2020, \$24,714,000 in FY 2021 and \$17,433,000 in FY 2022.

The Office of Judicial Administration indicates HB 2022 would primarily affect Trial Court Clerk II FTE positions and Trial Court Clerk III FTE positions at a cost of \$1.1 million annually.

Kansas Legislative Services estimates HB 2022 would increase legislative branch salaries by \$131,692 in FY 2020 and up to \$578,881 in the future years.

Any fiscal effect associated with HB 2022 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 written in a cursive style with a large, stylized initial "L".

Larry L. Campbell
Director of the Budget

cc: Linda Kelly, Corrections
Colleen Becker, Department of Administration
Kelly Oliver, Board of Regents
Janie Harris, Judiciary
Karen Clowers, Legislative Services