

March 7, 2025

The Honorable Sean Tarwater, Chairperson
House Committee on Commerce, Labor and Economic Development
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Tarwater:

SUBJECT: Fiscal Note for HB 2151 by Representative Woodard, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2151 is respectfully submitted to your committee.

HB 2151 would increase the minimum wage in Kansas to \$15.00 per hour. The change would be in effect upon publication in the statute book.

According to the Office of Judicial Administration, enactment of HB 2151 would not have a fiscal effect on the Judicial Branch. Legislative Administrative Services states enactment of the bill would have a negligible effect on the Legislative Branch and could be absorbed within existing resources. The Kansas Department of Administration notes that all employees under the Governor's jurisdiction have a rate of pay of at least \$15.03 per hour, so enactment of the bill would not have a fiscal effect for those agencies.

The Kansas Board of Regents reports that while enactment of HB 2151 would not have a fiscal effect for the agency, it would affect the universities as some employees currently make under \$15.00 per hour. This is estimated to total \$14.3 million for all universities, including \$4.7 million from the State General Fund, for FY 2026. The estimate includes the following totals:

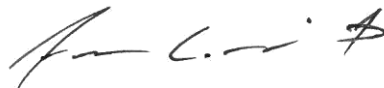
| <u>State University</u> | <u>State General Fund</u> | <u>All Funds</u> |
|----------------------------|---------------------------|------------------|
| Emporia State University | \$ 521,950 | \$ 521,950 |
| Fort Hays State University | 20,453 | 55,931 |
| Kansas State University | 157,866 | 3,092,989 |
| Pittsburg State University | 3,303,600 | 4,129,515 |
| University of Kansas | 407,230 | 3,059,395 |
| KU Medical Center | 12,450 | 12,450 |
| Wichita State University | <u>276,604</u> | <u>3,426,047</u> |
| Total | \$4,700,153 | \$14,298,277 |

The Kansas Department of Labor states enactment of the bill could increase the number of wage claims, but the agency anticipates the additional workload would be absorbed within existing resources. The agency also notes that as the minimum wage increases, unemployment compensation taxes would increase. This would result in a fiscal effect to employers and ultimately the Unemployment Insurance Trust Fund, but a total fiscal effect could not be estimated. The Kansas Department of Education notes that enactment of HB 2151 would have a fiscal effect on school districts as employers, but a total effect could not be estimated.

The Kansas Department of Revenue indicates that there are approximately 199,535 workers in Kansas currently being paid less than \$15.00 per hour. Using the assumption of a 40 hour work week, enactment of the bill would increase the total taxable income by \$1.0 billion per year. The agency estimates the additional income would have a marginal tax rate of 5.2 percent and that the number of returns would grow 1.0 percent each year. This equates to an income tax liability increase of \$43.8 million in FY 2026 and \$55.2 million in FY 2027. Any additional income tax revenue would be deposited to the State General Fund. Agency administrative expenditures would increase by \$1,340 for publication updates. Any fiscal effect associated with HB 2151 is not reflected in *The FY 2026 Governor's Budget Report*.

The Kansas Association of Counties notes enactment of the bill could have a fiscal effect on counties as employers if any of their employees are making less than \$15.00 per hour, but a total effect could not be estimated. The League of Kansas Municipalities anticipates enactment of the bill would have a negligible effect on cities.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Dawn Palmberg, Department of Labor
Lynn Robinson, Department of Revenue
Samir Arif, Department of Administration
Tom Day, Legislative Services
Janelle Williams, Judicial Council
Jay Hall, Kansas Association of Counties
Wendi Stark, League of Kansas Municipalities
Becky Pottebaum, Board of Regents
Gabrielle Hull, Department of Education