

February 25, 2026

The Honorable Larry Alley, Chairperson
Senate Committee on Commerce
300 SW 10th Avenue, Room 159-S
Topeka, Kansas 66612

Dear Senator Alley:

SUBJECT: Fiscal Note for SB 471 by Senator Holscher

In accordance with KSA 75-3715a, the following fiscal note concerning SB 471 is respectfully submitted to your committee.

SB 471 would increase the minimum wage in Kansas from \$7.25 per hour to \$16.00 per hour. The rate would apply to all employee wages except as otherwise provided in the minimum wage and maximum hours law for the payment of overtime compensation. The bill's provisions would apply to any employers and employees who are covered under the provisions of the Federal Fair Labor Standards Act.

According to the Kansas Department of Administration, enactment of SB 471 would result in a fiscal effect for agencies with employees making less than \$16.00 per hour. It is estimated there are currently 507 such employees in Executive Branch, non-university agencies. The annual cost to increase the hourly rates of these employees to \$16.00 starting in FY 2027 would amount to \$757,098 from all funding sources. Additional state agency expenditures from the State General Fund would depend on each agency's funding mix for salaries and wages. This total includes fringe benefits for 164 employees who are benefits-eligible. The cost to increase all employees to the new minimum wage would be a one-time cost in FY 2027, but the new minimum wage would need to be carried forward in all future budget years and would apply to all new hires.

For university employees, the Kansas Board of Regents estimates enactment of the bill would result in a fiscal effect of \$16.0 million, including \$3.7 million from the State General Fund for all state universities. The Kansas State Department of Education does not anticipate a fiscal effect on agency operations, but the effect for school districts is noted below.

The Kansas Department of Revenue states that based on U.S. Bureau of Labor Statistics data, it is estimated that there are 173,580 workers in Kansas currently being paid less than \$16 per hour. If minimum wage was increased to \$16 per hour the taxable income would increase by

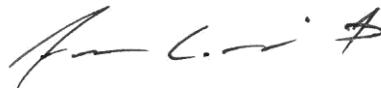
\$816.0 million. The average affected worker would have their hourly wage increased by \$2.26. It is expected the additional income would have a marginal tax rate of 5.2 percent and that the number of returns would grow at 1.0 percent per year. The increase for income tax is estimated at \$34.8 million in FY 2027 and \$43.9 million in FY 2028. The agency estimates increased administrative expenditures of \$1,340 for related workload.

The Kansas Department of Labor states the bill could increase the number of wage claims, but the increase could be handled within existing resources. No fiscal effect is anticipated for the Unemployment Trust Fund as employers would potentially reach their taxable wage base of \$15,100 more quickly as a result of the bill's enactment.

Legislative Administrative Services reports that any fiscal effect for the Legislature would be handled within existing resources. Enactment of the bill would not have a fiscal effect on the Judicial Branch. Any fiscal effect associated with SB 471 is not reflected in *The FY 2027 Governor's Budget Report*.

The Kansas Association of Counties states enactment of the bill would have a fiscal effect for counties as it would require them to increase the wages of qualified workers, as well as adjust other salaries within the county system. A fiscal effect estimate was not provided. The League of Kansas Municipalities believes the bill would have a negligible effect for cities, but a total fiscal effect cannot be estimated as the number of employees affected varies significantly by city, as well as the number of seasonal employees hired by cities. The Kansas Association of School Boards states that any employees of school districts currently making less than \$16.00 per hour would need to have their pay raised to meet the new minimum wage under this bill. That figure will vary between districts but would result in an increase in expenses for employee pay in nearly every district, if not all, across the state; however, a fiscal effect estimate was not provided.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Samir Arif, Department of Administration
Tom Day, Legislative Services
Trisha Morrow, Judiciary
Becky Pottebaum, Board of Regents
Gabrielle Hull, Department of Education
Dawn Palmberg, Department of Labor
Lynn Robinson, Department of Revenue
Wendi Stark, League of Kansas Municipalities
Bruce Chladny, Kansas Association of Counties
Angie Stallbaumer, Kansas Association of School Boards