

March 10, 2025

REVISED

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

Dear Senator Alley:

SUBJECT: Revised Fiscal Note for SB 218 by Senator Corson, et al.

In accordance with KSA 75-3715a, the following revised fiscal note concerning SB 218 is respectfully submitted to your committee.

SB 218 would increase the minimum wage for Kansas to \$15.00 per hour beginning January 1, 2026. Each year beginning January 1, 2027, rates would increase to include a cost-of-living factor that would be an amount equal to the percentage increase in the consumer price index for all urban consumers in the Midwest region as published by the Bureau of Labor Statistics of the United States Department of Labor during the immediately preceding year, rounded to the nearest five cents. The bill would also increase the minimum wage rate for employees receiving tips and gratuities, beginning January 1, 2026, to at least 50.0 percent of the regular minimum wage rate.

According to the Office of Judicial Administration, enactment of SB 218 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 for FY 2026 and could be absorbed within existing resources. For FY 2027 and beyond, as long as the Legislature appropriated the cost-of-living increases, there would be no long-term fiscal effect. 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 for FY 2026.

The Kansas Board of Regents reports that while enactment of SB 218 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. Future years would increase by the cost-of-living adjustment. The estimate includes the following totals:

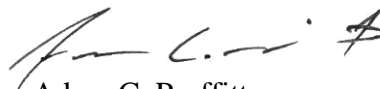
| <u>State University</u> | <u>State General Fund</u> | <u>All Funds</u> |
|----------------------------|---------------------------|------------------|
| Emporia State University | \$ 521,950 | \$ 521,950 |
| Fort Hays State University | 20,453 | 55,931 |
| Kansas State University | 157,866 | 3,092,989 |
| 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 SB 218 would have a fiscal effect on school districts as employers, but a total effect could not be estimated.

Since the original fiscal effect statement was issued, the Kansas Department of Revenue has provided information on the fiscal effect of this bill. The agency 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. There are also an estimated 20,600 tipped workers in the state with an expected increase of total taxable income of \$230.1 million 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. With a January 1, 2026 implementation date and including a cost-of-living adjustment of 3.0 percent after the first year, this equates to an income tax liability increase of \$20.2 million in FY 2026 and \$70.8 million in FY 2027. Any additional income tax revenue would be deposited to the State General Fund. Any fiscal effect associated with SB 218 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 required a change in their pay rates, 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: Trisha Morrow, Judiciary
Tom Day, Legislative Services
Becky Pottebaum, Board of Regents
Gabrielle Hull, Department of Education
Dawn Palmberg, Department of Labor
Samir Arif, Department of Administration
Wendi Stark, League of Kansas Municipalities
Jay Hall, Kansas Association of Counties