



DYNAMIC FISCAL ANALYSIS

HB0195

2016 General Session
Living Wage Amendments
by Lynn N. Hemingway



STATIC IMPACT (See fiscal note for details)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2026
General Fund	-\$2,716,500	-\$2,716,500	-\$2,680,000	-\$2,644,000	-\$2,608,000	-\$2,573,000
Education Fund	-\$21,317,400	-\$21,317,400	-\$21,029,000	-\$20,745,000	-\$20,465,000	-\$20,189,000
All Other Funds	-\$5,924,200	-\$5,924,200	-\$5,844,000	-\$5,765,000	-\$5,687,000	-\$5,610,000
Total	-\$29,958,100	-\$29,958,100	-\$29,553,000	-\$29,154,000	-\$28,760,000	-\$28,372,000

SCENARIO 1: DO NOT IMPLEMENT A \$12 MINIMUM WAGE

Do not implement the changes proposed in this bill. The cost of the static fiscal note is left in reserve and collects interest.

Dynamic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2026
General Fund	\$49,700	\$75,400	\$81,600	\$80,500	\$79,400	\$74,600
Education Fund	\$390,100	\$591,600	\$640,300	\$631,700	\$623,200	\$585,500
Total	\$439,800	\$667,000	\$721,900	\$712,200	\$702,600	\$660,100
Diff From Static	\$30,397,900	\$30,625,100	\$30,274,900	\$29,866,200	\$29,462,600	\$29,032,100
Jobs	0	0	0	0	0	0
Wages (millions)	\$0	\$0	\$0	\$0	\$0	\$0
Gross Domestic Product (GDP) (millions)	\$0	\$0	\$0	\$0	\$0	\$0

SCENARIO 2: GOVERNMENT SPENDING

Do not make the policy change proposed by this bill, but spend on government programs. The multiplier is 0.84. Commonly estimated government spending multipliers ($\Delta GDP / \Delta \text{Government Spending}$) range from 0.7 to 1.3. The multiplier value depends upon economic conditions, interest rates, expected tax policy, geographic region, past and expected government spending policy, and various other assumptions. The multiplier is on the lower end currently because of higher expected interest rates and strong economic conditions (unemployment rate in Utah is 3.5%). The dynamic revenue stems from the revenue connected with state government spending.

Dynamic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2026
General Fund	-\$2,416,500	-\$2,316,500	-\$2,280,000	-\$2,244,000	-\$2,108,000	-\$2,073,000
Education Fund	-\$20,717,400	-\$20,617,400	-\$20,329,000	-\$20,045,000	-\$19,665,000	-\$19,389,000
Total	-\$23,133,900	-\$22,933,900	-\$22,609,000	-\$22,289,000	-\$21,773,000	-\$21,462,000
Diff From Static	\$6,824,200	\$7,024,200	\$6,944,000	\$6,865,000	\$6,987,000	\$6,910,000
Jobs	342	353	349	338	322	241
Wages (millions)	\$19	\$22	\$23	\$24	\$25	\$25
Gross Domestic Product (GDP) (millions)	\$25	\$27	\$28	\$28	\$27	\$23

SCENARIO 3: IMPLEMENT \$12 MINIMUM WAGE; INCOME RISES FOR SOME AND EMPLOYMENT DROPS FOR OTHERS

Implement \$12 minimum wage. Affected individuals see an average income increase of \$9,880 per year. Employment of lower wage workers declines. Consumer and wholesale prices rise. Overall, the wage increase, employment drop, and price inflation represent a shift from business owners and consumers to lower wage earners. The analysis here follows the pattern presented by the Congressional Budget Office in their 2014 report "The Effects of a Minimum-Wage Increase on Employment and Family Income." Key among the assumptions is the responsiveness of employment to the wage change. The CBO analysis used an elasticity of -0.075 for its national study of the teenager effect and about a third of that for the adult effect. An elasticity of -0.075 means that a 10% increase in the minimum wage reduces employment by 0.75%. The elasticity is assumed higher at the state level. Presumed here is an elasticity of approximately -0.1.

Dynamic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2026
General Fund	\$39,700,000	\$35,700,000	\$28,600,000	\$24,800,000	\$17,100,000	-\$14,800,000
Education Fund	\$67,600,000	\$60,800,000	\$48,700,000	\$42,200,000	\$29,200,000	-\$25,300,000
Total	\$107,300,000	\$96,500,000	\$77,300,000	\$67,000,000	\$46,300,000	-\$40,100,000
Diff From Static	\$137,258,100	\$126,458,100	\$106,853,000	\$96,154,000	\$75,060,000	-\$11,728,000
Jobs	-13,020	-17,007	-21,444	-24,464	-28,436	-42,918
Wages (millions)	\$2,167	\$1,951	\$1,561	\$1,352	\$936	-\$810
Gross Domestic Product (GDP) (millions)	-\$2,629	-\$3,132	-\$3,711	-\$4,208	-\$4,832	-\$8,088

SCENARIO 4: SHIFTS FROM OUT-OF-STATE

Implement \$12 minimum wage. Affected individuals see an average income increase of \$9,880 per year. Employment of lower wage workers declines. Consumer and wholesale prices rise. Overall, the wage increase, employment drop, and price inflation represent a shift from business owners and consumers to lower wage earners. The analysis here follows the pattern presented by the Congressional Budget Office in their 2014 report "The Effects of a Minimum-Wage Increase on Employment and Family Income." Key among the assumptions is the responsiveness of employment to the wage change. The CBO analysis used an elasticity of -0.075 for its national study of the teenager effect and about a third of that for the adult effect. An elasticity of -0.075 means that a 10% increase in the minimum wage reduces employment by 0.75%. The elasticity is assumed higher at the state level. Presumed here is an elasticity of approximately -0.1. In addition, assumed here is a demographic response elasticity of 0.04%, assuming that a higher minimum wage causes in-migration of 2,007 individuals and the associated increased growth. No businesses directly leave the state, although indirectly, yes.

Dynamic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2026
General Fund	\$40,300,000	\$36,900,000	\$30,300,000	\$26,900,000	\$19,700,000	-\$9,700,000
Education Fund	\$68,700,000	\$62,800,000	\$51,500,000	\$45,800,000	\$33,600,000	-\$16,500,000
Total	\$109,000,000	\$99,700,000	\$81,800,000	\$72,700,000	\$53,300,000	-\$26,200,000
Diff From Static	\$138,958,100	\$129,658,100	\$111,353,000	\$101,854,000	\$82,060,000	\$2,172,000
Jobs	-12,656	-16,377	-20,584	-23,398	-27,171	-40,812
Wages (millions)	\$2,203	\$2,015	\$1,652	\$1,468	\$1,077	-\$530
Gross Domestic Product (GDP) (millions)	-\$2,601	-\$3,082	-\$3,641	-\$4,117	-\$4,721	-\$7,869