DYNAMIC FISCAL ANALYSIS

HB0147

2017 General Session

Living Wage Amendments

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STATIC IMPACT (See fiscal note for details)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	...	FY 2027
General Fund	-$509,000	-$837,900	-$7,900,000	-$24,432,000	-$50,486,000		-$97,454,000
Education Fund	-$7,868,800	-$14,308,100	-$32,062,000	-$59,309,000	-$95,191,000		-$151,282,000
All Other Funds	-$2,910,300	-$6,235,800	-$20,015,000	-$46,873,000	-$86,538,000		-$154,798,000
Total	-$11,288,100	-$21,381,800	-$59,977,000	-$130,614,000	-$232,215,000		-$403,534,000

SCENARIO 1: DO NOT IMPLEMENT A $15 LIVING WAGE

Do not implement the changes proposed in this bill. The cost of the static fiscal note is left in reserve and collects interest. Shown here is the flow, not the accumulating balance.

Dynamic Impact	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	...	FY 2027
General Fund	$9,300	$23,300	$240,600	$744,000	$1,537,300		$2,826,200
Education Fund	$144,000	$397,000	$976,300	$1,806,000	$2,898,600		$4,387,200
Total	$153,300	$420,300	$1,216,900	$2,550,000	$4,435,900		$7,213,400
Diff From Static	**$11,441,400**	**$21,802,100**	**$61,193,900**	**$133,164,000**	**$236,650,900**		**$410,747,400**
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 0.95. Commonly estimated government spending multipliers (ΔGDP/(ΔGovernment 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 3.1%). The dynamic revenue stems from the revenue collected through state and local government spending and employment.

Dynamic Impact	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	...	FY 2027
General Fund	$91,000	$62,100	-$5,500,000	-$19,532,000	-$42,086,000		-$83,054,000
Education Fund	-$6,968,800	-$12,708,100	-$28,062,000	-$51,009,000	-$80,891,000		-$126,682,000
Total	-$6,877,800	-$12,646,000	-$33,562,000	-$70,541,000	-$122,977,000		-$209,736,000
Diff From Static	**$4,410,300**	**$8,735,800**	**$26,415,000**	**$60,073,000**	**$109,238,000**		**$193,798,000**
Jobs	230	383	918	1,815	2,989		3,718
Wages (millions)	$30	$51	$129	$266	$460		$787
Gross Domestic Product (GDP) (millions)	$19	$33	$82	$168	$288		$434

SCENARIO 3: IMPLEMENT $15 MINIMUM WAGE; INCOME RISES FOR SOME AND EMPLOYMENT DROPS FOR OTHERS

Incrementally implement $15 living wage. Around 500,000 individuals by FY 2023 see an average income increase of between $875 to $12,700 per year, overall totalling $3.3 billion by FY 2023. 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%. Presumed here is an elasticity of approximately -0.075.

Dynamic Impact	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	...	FY 2027
General Fund	$11,000,000	$26,300,000	$41,300,000	$59,000,000	$80,000,000		-$4,300,000
Education Fund	$18,700,000	$44,900,000	$70,200,000	$100,400,000	$136,200,000		-$7,300,000
Total	$29,700,000	$71,200,000	$111,500,000	$159,400,000	$216,200,000		-$11,600,000
Diff From Static	**$40,988,100**	**$92,581,800**	**$171,477,000**	**$290,014,000**	**$448,415,000**		**$391,934,000**
Jobs	-152	722	438	-807	-2,776		-96,087
Wages (millions)	$599	$1,438	$2,253	$3,219	$4,367		-$234
Gross Domestic Product (GDP) (millions)	-$45	$36	$10	-$111	-$313		-$12,188

SCENARIO 4: SHIFTS FROM OUT-OF-STATE

Incrementally implement $15 living wage. Around 500,000 individuals by FY 2023 see an average income increase of between $875 to $12,700 per year, overall totalling $3.3 billion by FY 2023. 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 -.075. In addition, assumed here is a demographic response elasticity of 0.04%, assuming that a higher minimum wage causes additional in-migration of 2,509 individuals and the associated increased growth. We have assumed no businesses will leave the state explicitly because of the wage hike, though some economic activity diminishes because of wage pressure.

Dynamic Impact	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	...	FY 2027
General Fund	$11,200,000	$26,800,000	$42,100,000	$60,300,000	$81,900,000		$1,700,000
Education Fund	$19,000,000	$45,700,000	$71,700,000	$102,600,000	$139,400,000		$2,900,000
Total	$30,200,000	$72,500,000	$113,800,000	$162,900,000	$221,300,000		$4,600,000
Diff From Static	**$41,488,100**	**$93,881,800**	**$173,777,000**	**$293,514,000**	**$453,515,000**		**$408,134,000**
Jobs	-22	1,020	940	-73	-1,784		-93,558
Wages (millions)	$610	$1,465	$2,299	$3,291	$4,469		$92
Gross Domestic Product (GDP) (millions)	-$34	$61	$54	-$45	-$220		-$11,906