



F9J-098 DYNAMIC FISCAL ANALYSIS

HB0117

2018 General Session

Hourly Wage Increase Amendments

by Brian King



STATIC IMPACT (See fiscal note for details)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2028
General Fund	-\$606,200	-\$606,200	-\$606,200	-\$3,784,600	-\$3,784,600	-\$3,784,600
Education Fund	-\$5,070,100	-\$5,070,100	-\$5,070,100	-\$13,954,500	-\$13,954,500	-\$13,954,500
All Other Funds	-\$831,400	-\$831,400	-\$831,400	-\$5,190,600	-\$5,190,600	-\$5,190,600
Total	-\$6,507,700	-\$6,507,700	-\$6,507,700	-\$22,929,700	-\$22,929,700	-\$22,929,700

SCENARIO 1: DO NOT IMPLEMENT A \$12 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 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2028
General Fund	\$13,800	\$16,900	\$18,800	\$117,300	\$112,800	\$91,600
Education Fund	\$115,600	\$140,900	\$157,200	\$432,600	\$415,800	\$337,700
Total	\$129,400	\$157,800	\$176,000	\$549,900	\$528,600	\$429,300
Diff From Static	\$6,637,100	\$6,665,500	\$6,683,700	\$23,479,600	\$23,458,300	\$23,359,000
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 average multiplier is about 1. 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 closer to the middle 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 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2028
General Fund	\$93,800	\$193,800	\$193,800	-\$2,584,600	-\$2,584,600	-\$2,584,600
Education Fund	-\$3,870,100	-\$3,770,100	-\$3,670,100	-\$11,954,500	-\$11,954,500	-\$11,854,500
Total	-\$3,776,300	-\$3,576,300	-\$3,476,300	-\$14,539,100	-\$14,539,100	-\$14,439,100
Diff From Static	\$2,731,400	\$2,931,400	\$3,031,400	\$8,390,600	\$8,390,600	\$8,490,600
Jobs	291	321	323	424	413	281
Wages (millions)	\$39	\$42	\$45	\$64	\$66	\$66
Gross Domestic Product (GDP) (millions)	\$24	\$30	\$32	\$43	\$45	\$37

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

Incrementally implement \$12 minimum wage. Around 311,000 individuals by FY 2023 see an average income increase of between \$1,040 to \$9,400 per year, overall totaling \$1.6 billion. 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 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2028
General Fund	\$6,693,800	\$6,193,800	\$5,593,800	\$2,115,400	\$15,815,400	\$11,415,400
Education Fund	\$7,229,900	\$6,629,900	\$5,529,900	-\$3,854,500	\$19,445,500	\$11,945,500
Total	\$13,923,700	\$12,823,700	\$11,123,700	-\$1,739,100	\$35,260,900	\$23,360,900
Diff From Static	\$20,431,400	\$19,331,400	\$17,631,400	\$21,190,600	\$58,190,600	\$46,290,600
Jobs	-2,716	-2,825	-3,164	-3,404	-4,284	-6,419
Wages (millions)	\$396	\$374	\$341	\$323	\$1,071	\$832
Gross Domestic Product (GDP) (millions)	-\$561	-\$619	-\$672	-\$723	-\$1,032	-\$1,498

SCENARIO 4: SHIFTS FROM OUT-OF-STATE

Incrementally implement \$12 living wage. Around 311,000 individuals by FY 2023 see an average income increase of between \$1,040 to \$9,400 per year, overall totaling \$1.6 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%. Although generally the elasticity would be assumed to be higher at the state level, presumed here is an elasticity of approximately -0.075. 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 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2028
General Fund	\$7,693,800	\$8,193,800	\$8,593,800	\$6,015,400	\$20,615,400	\$21,015,400
Education Fund	\$9,029,900	\$15,140,900	\$10,529,900	\$2,645,500	\$27,545,500	\$28,245,500
Total	\$16,723,700	\$23,334,700	\$19,123,700	\$8,660,900	\$48,160,900	\$49,260,900
Diff From Static	\$23,231,400	\$29,842,400	\$25,631,400	\$31,590,600	\$71,090,600	\$72,190,600
Jobs	-2,078	-1,625	-1,460	-1,271	-1,764	-2,505
Wages (millions)	\$452	\$482	\$502	\$534	\$1,332	\$1,355
Gross Domestic Product (GDP) (millions)	-\$511	-\$517	-\$521	-\$525	-\$787	-\$1,042