



## HOUSE COMMITTEE ON APPROPRIATIONS

# FISCAL NOTE

HOUSE BILL NO. 1500

PRINTER'S NO. 1534

PRIME SPONSOR: Dawkins

As amended by A01027

### COST / (SAVINGS)

FUND	FY 2022/23	FY 2023/24
General Fund	\$0	See Fiscal Impact

### SUMMARY:

House Bill 1500, Printer's Number 1534, as amended by A01027 would increase the minimum wage in the commonwealth.

### ANALYSIS:

The bill sets forth a new minimum wage schedule. The minimum wage would increase to:

- \$11.00/hour on January 1, 2024
- \$13.00/hour on January 1, 2025
- \$15.00/hour on January 1, 2026

On January 1, 2027, and each year thereafter, the minimum wage would increase by the CPI-U for the Pennsylvania, New Jersey, Delaware and Maryland area. The Secretary of the Department of Labor and Industry will calculate the adjustment based on the most recent 12-month period for which figures have been published by the federal Bureau of Labor Statistics. The minimum wage amount will be rounded to the nearest 5 cents and be published in the Pennsylvania Bulletin.

The bill sets a new minimum for tipped employees equal to 60% of the cash wage required to be paid under the bill under the new schedule. It would also remove language from the Minimum Wage Act that phased in the previous minimum wage increase for employers with fewer than 10 employees.

The bill takes effect in 60 days.

### FISCAL IMPACT:

#### Revenue Impact

Because a higher minimum wage will increase incomes of workers, the commonwealth is expected to experience both increased personal income tax revenue and additional sales and use tax revenue as individuals who benefit from the increase remit more in income taxes and consume more with their higher earnings.

The Department of Revenue estimates that an \$11/hour minimum wage, effective on January 1, 2024 will result in \$16.2 million in additional revenue to the commonwealth for the 2023/24 fiscal year. This estimate assumes an additional \$6.5 million in personal income tax revenues and \$9.7 million in sales tax revenue. The department's estimate includes the impact to employment, special poverty provision savings, and an assumption that small business profits will be lower due to the increase in pay (an income transfer effect).

The impact to revenues is expected to increase in future years as the minimum wage continues to rise, and the January 1 increases are annualized to a full fiscal year. For 2027 and 2028, the bill’s inflation adjustment will increase the minimum wage. The department’s assumption of the adjusted minimum wage based on inflation forecasts is shown in the following table:

<b>Fiscal Year</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
Revenue Impact (Millions)	\$16.2	\$51.9	\$104.7	\$144.4	\$158.8
Minimum Wage Amount (Jan 1)	\$11.00	\$13.00	\$15.00	\$15.35	\$15.70

Source: Pennsylvania Department of Revenue

Expenditure Impact

Increasing the minimum wage could increase costs to the commonwealth for different programs. Based on 2022 data from the Bureau of Labor Statistics (BLS), there are certain professions with a lower distribution of wages whose employers are often publicly funded as service providers. Increasing wages for these segments of the workforce that earn less than proposed minimum wages set forth in the bill could carry a cost, especially in future years.

For example, the BLS reports the following data for child care workers and home health and personal care aides in Pennsylvania:

<b>Occupation</b>	<b>10<sup>th</sup> Percentile Wage</b>	<b>25<sup>th</sup> Percentile Wage</b>	<b>Median Wage</b>	<b>Average Wage</b>	<b>75<sup>th</sup> Percentile Wage</b>	<b>90<sup>th</sup> Percentile Wage</b>
Child Care Workers	\$10.04	\$10.95	\$12.75	\$13.14	\$13.95	\$17.09
Home Health and Personal Care Aides	\$11.08	\$12.21	\$13.35	\$13.82	\$14.77	\$17.07

Source: 2022 Occupational Employment and Wage Statistics, Bureau of Labor Statistics

The 2023/24 fiscal year would be impacted by the \$11/hour minimum wage going into effect on January 1. Providers would need to pay employees increased wages to the extent that they currently pay below the new minimum. For example, two occupations which data suggests could lead to an impact to commonwealth programs are child care workers and home health and personal care aides.

The commonwealth subsidizes child care for low-income families through the Department of Human Services’ Child Care Works program, funded via the Child Care Services and Child Care Assistance appropriations. The program uses contracts with service providers, which are on a fee-for-service unit cost for childcare services. Currently, rates are set to meet the 60<sup>th</sup> percentile of the private pay market, based on a 2022 market rate survey conducted by the department. While labor costs are not the only component of the costs charged for child care, current rates are likely sufficient to accommodate the first step to \$11/hour proposed by HB 1500 for the 2023/24 fiscal year.

Home health and personal care aides are employed by providers to serve individuals needing assistance, including Pennsylvanians with disabilities and seniors. The commonwealth funds these personal assistance services through the Medical Assistance Program for Home and Community-Based Services in the Intellectual Disabilities – Community Waiver Program, the Living Independence for the Elderly (LIFE) program, and the Community HealthChoices program. Rates for these services are set by the Department of Human Services and included on the Medical Assistance Fee Schedule. Given that the 10<sup>th</sup> percentile for these positions already exceeds the first step for \$11/hour based on 2022 data (meaning that the large part of employees in this occupation earn more than that amount), the near term impact of the bill on the cost of these programs is likely to be small.

The minimum wage increase contained in HB 1500 will start to cover a larger segment of these two workforces in future years, which will put upward pressure on rates for both programs, and thereby lead to higher costs for the commonwealth.

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*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*