

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (24-038)**

**Subject**

Initiative petition from Richard von Glahn regarding a proposed amendment to Chapter 290 of the Revised Statutes of Missouri. (Received January 9, 2023)

**Date**

January 27, 2023

**Description**

This proposal would amend Chapter 290 of the Revised Statutes of Missouri.

The amendment is to be voted on in November 2024.

**Public comments and other input**

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education and Workforce Development**, the **Department of Health and Senior Services**, the **Department of Commerce and Insurance**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Missouri Department of the National Guard**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, **Adair County**, **Boone County**, **Callaway County**, **Cass County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County**, **Jasper County**, **St. Charles County**, **St. Louis County**, **Taney County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Malta Bend R-V School District**, **Mehlville School District**, **Wellsville-Middletown R-1 School District**, **State Technical College of Missouri**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**, the **Missouri Lottery**, the **State Tax Commission**, the **Missouri Veterans Commission**, the **Missouri Ethics Commission**, the **Missouri Office of Prosecution Services**, the **Kansas City Board of Police Commissioners**, the **Metropolitan Police Department - City of St. Louis**, the **St. Louis County Board of Elections**, the **Board of Election Commissioners City of St.**

**Louis, the Kansas City Board of Election Commissioners, the Platte County Board of Elections, the Jackson County Election Board, the Clay County Board of Election Commissioners, the Lieutenant Governor's office, the Children's Trust Fund of Missouri, the Missouri Joint Municipal Electric Utility Commission, the State Auditor's office, the Metropolitan Zoological Park and Museum District, the Missouri Municipal League, the Missouri Bar Association, the Missouri Gaming Commission, the Municipal League of Metro St. Louis, University of Central Missouri, Harris-Stowe State University, Lincoln University, Missouri State University, Missouri Southern State University, Missouri Western State University, Northwest Missouri State University, Southeast Missouri State University, and Truman State University.**

**Lindsey Baker, Research Director, Missouri Budget Project** provided information to the State Auditor's office.

**Cassandra Gomez, Senior Staff Attorney, A Better Balance** provided information to the State Auditor's office.

**Richard von Glahn, Policy Director, Missouri Jobs with Justice** provided information to the State Auditor's office.

## **Assumptions**

Officials from the **Attorney General's office** indicated they expect that, to the extent that the enactment of this proposal would result in increased litigation, their office could absorb the costs associated with that increased litigation using existing resources. However, if the enactment of this proposal were to result in substantial additional litigation, their office may be required to request additional appropriations.

Officials from the **Department of Agriculture** indicated their department has no fiscal impact.

Officials from the **Department of Economic Development** indicated no fiscal impact to their department.

Officials from the **Department of Elementary and Secondary Education** indicated no fiscal impact on their department.

Officials from the **Department of Higher Education and Workforce Development** indicated no impact to their department.

Officials from the **Department of Health and Senior Services** indicated this initiative petition has no impact on their department.

Officials from the **Department of Commerce and Insurance** indicated this petition, if passed, will have no anticipated cost or savings to their department.

Officials from the **Department of Mental Health** indicated they assume no direct fiscal impact from the proposed statutory amendment to Chapter 290 as government employees are exempt from its provisions. However, employees of providers that receive DMH funding would be impacted, which would include all contracted DMH providers.

Officials from the **Department of Natural Resources** indicated this proposal might impact their department however, they defer to the Office of Administration to respond.

Officials from the **Department of Corrections** indicated no fiscal impact.

Officials from the **Department of Labor and Industrial Relations** indicated:

This petition would amend provisions relating to the accumulation of sick time required for employees depending on how many employees are employed by the employer. It also has various requirements regarding how sick time can be used and procedures employers must use. Violations are deemed misdemeanors, and damages are allowed to be awarded in civil suits. It states that the DOLIR "may" create new notices, promulgate rules, and initiate outreach programs but that the DOLIR is not required to create notices if it requires the appropriation of funds. It also states that the DOLIR may inspect employment records and investigate complaints of noncompliance. Still, such inspection is not required if it requires the appropriation of funds, and the cost estimate would be zero.

The funding source will be from General Revenue if the DOLIR receives complaints to enforce it. Therefore the DOLIR estimates it would need two Regulatory Auditors and one Administrative Support Assistant person at an annual ongoing cost of \$255,975 by 2027, plus an initial information technology (IT) component of \$28,318 and office equipment of \$25,011.

Officials from the **Department of Revenue** indicated no impact.

Officials from the **Department of Public Safety** indicated no impact for their department, Director's office.

Officials from the **Missouri Department of the National Guard** indicated no fiscal impact to their department.

Officials from the **Department of Social Services** indicated no impact anticipated by their department.

Officials from the **Governor's Office** indicated this proposal relating to minimum wage law does not financially impact their office.

Officials from the **House of Representatives** indicated no fiscal impact. The state seems excluded from section 3 and we are not included in the definition of an employer in the new sections.

Officials from the **Department of Conservation** indicated this initiative petition will have no fiscal impact on their agency because it specifically exempts the state from the definition of employer.

Officials from the **Department of Transportation** indicated this initiative petition excludes the state from the requirements of the proposed new law. Therefore there is no anticipated fiscal impact to their department.

Officials from the **Office of Administration** indicated this proposal relating to minimum wage law does not financially impact their office.

Officials from the **Office of State Courts Administrator** indicated beginning January 1, 2025, the minimum wage rate would be not less than \$13.75 per hour. This rate would increase by \$1.25 per hour by January 1, 2026 to \$15.00 per hour.

The increase to wages would approximately have the fiscal impact below for each year:

<b>Calendar Year</b>	<b>Annual Increase from the Current Wage</b>
2025	\$ 3,495.00
2026	\$ 9,215.00

This is an estimated impact if not exempt.

Officials from the **Missouri Senate** indicated they anticipate no fiscal impact.

Officials from the **Secretary of State's office** indicated each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Referendums are submitted to the people at the next general election. Article III section 52(b) of the Missouri Constitution authorizes the general assembly to order a special election for measures referred to the people. If a special election is called to submit a Referendum to a vote of the people, Section 115.063.2 RSMo. requires the state to pay the costs. The cost of the special election has been estimated to be \$7 million based on the cost of the 2020 Presidential Preference Primary.

Their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In fiscal year (FY) 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

In FY19, over \$5.8 million was spent to publish the full text of the measures for the August and November elections. Their office estimates \$75,000 per page for the costs of publications based on the actual cost incurred for the one referendum that was on the August 2018 ballot.

Their office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, they reserve the right to request funding to meet the cost of their publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Officials from the **Office of the State Public Defender** indicated this initiative petition will have no fiscal impact on their office.

Officials from the **State Treasurer's office** indicated no fiscal impact to their office.

Officials from **Clay County** indicated this petition does not apply to county governments under 290.502.4 for minimum wage and the contemplated new Section 6 for sick leave regarding the definition of an employer. Clay County provides more generous sick leave than this measure as well.

They do estimate additional costs from this petition of **\$2,000** a year between the Circuit Court and Prosecutor to enforce the misdemeanor and civil action provisions.

Officials from **Greene County** indicated there are no estimated costs or savings to report from their county for this initiative petition proposing to amend Chapter 290, RSMo.

Officials from **St. Louis County** indicated this initiative petition has no apparent fiscal impact on their county.

Officials from the **City of Kansas City** indicated this amendment would have no fiscal impact on their city.

Officials from **Metropolitan Community College** indicated no fiscal impact to their college.

Officials from **St. Louis Community College** indicated the petition request is generally lower than their current compensation structure and therefore its passage appears to have minimal effect on their college. That being said, increases calculated by Consumer Price Index or other indexed methods may affect them in the future and that cannot be determined at this time.

Officials from the **Missouri Lottery** indicated no fiscal impact to their agency. Current hourly wages are \$15 or higher.

Officials from the **State Tax Commission** indicated this initiative petition will not have a fiscal impact on their agency.

Officials from the **Missouri Veterans Commission** indicated this initiative petition creates no fiscal impact to the Missouri Veterans Commission. However, given the proposed changes to section 290.502 RSMo, they would note that those changes would make it more difficult for state agencies to recruit new employees. As to the remainder of the petition, the definition for the term "employer" found in the proposed section 290.600(6) specifically excludes the state and its agencies, so the requirements of the petition would not apply to the Commission.

Officials from the **Missouri Ethics Commission** indicated this initiative petition does not have fiscal impact on their Commission.

Officials from the **Kansas City Board of Police Commissioners** indicated per Section 290.600, the Kansas City, Missouri Police Department is exempt as a political subdivision of the state.

Officials from the **St. Louis County Board of Elections** indicated they predict no fiscal impact from this petition.

Officials from the **Board of Election Commissioners City of St. Louis** indicated no fiscal impact; the lowest paid election board employee makes \$15/hour.

Officials from the **Kansas City Board of Election Commissioners** indicated this petition has no material fiscal impact on their operations.

Officials from the **Platte County Board of Elections** indicated no impact.

Officials from the **Jackson County Election Board** indicated this petition has no fiscal impact to their Board.

Officials from the **Children's Trust Fund** indicated no impact.

Officials from the **State Auditor's office** indicated since this proposed initiative petition does not apply to government entities, this would have no fiscal impact on their office.

Officials from the **Missouri Gaming Commission** indicated this initiative petition will not have any fiscal impact on their agency.

**Lindsey Baker, Research Director, Missouri Budget Project** indicated in summary, they estimate the fiscal impact of earned sick leave on state and local revenue is minimal because the increased revenue and decreased spending associated with a stronger workforce and healthier communities will more than offset the modest administrative expenses outlined in previous estimates. Further, earned sick leave has the potential to provide substantial societal savings and a significant boost to Missouri's economy. She also provided the following information:



## Estimated Fiscal Impact of Earned Sick Leave Petitions 24-025-042

**We estimate the fiscal impact of earned sick leave on state & local revenue is minimal because the increased revenue & decreased spending associated with a stronger workforce and healthier communities will more than offset the modest administrative expenses outlined in previous estimates. Further, earned sick leave has the potential to provide substantial societal savings and a significant boost to Missouri’s economy.**

In addition to helping employees by allowing them to address their health needs without losing their jobs or ability to pay their bills, paid sick leave has many benefits for employers, including a healthier workforce, reduced turnover, and increased productivity. The benefits of paid sick leave have been highlighted by the COVID-19 pandemic, illustrating the importance of workers being able to recover at home without lost wages and without risking spread of contagious disease in the workplace.

Several ballot measures have been filed (24-025-042) that would require employers to provide earned sick leave in Missouri. Though the measures vary slightly, each would require employers to provide a minimum of 3-7 days of paid leave to employees, depending on hours worked and size of business. If implemented, Missouri would join the seventeen states, plus the District of Columbia, who ensure employees can earn paid sick leave to care for themselves or family members.<sup>i</sup>

**An estimated 211,000 Missourians and their families would benefit from the earned sick time provided through these initiatives, with low-wage workers disproportionately likely to benefit from this policy.<sup>ii</sup> Expanding earned sick leave in Missouri is estimated to provide a net savings to society of between \$612.4-\$774.1 million annually depending on the number of days provided.<sup>iii</sup>**

Societal Cost-Benefit of Earned Sick Leave in Missouri: Adapted from Dicke, Ohler, & Thorpe (2022)

	3-5 Scenario*	5-7 Scenario*
<b>Estimated Cost Savings</b>	<b>\$1.26B</b>	<b>\$1.29B</b>
- Employment Related Savings	\$436.73M	\$466.6M
- Health Related Savings	\$825.61M	\$825.61M
<b>Estimated Costs (Employer &amp; State Admin)</b>	<b>\$488.22M</b>	<b>\$679.77M</b>
<b>Estimated Net Societal Benefit*</b>	<b>\$774.11M</b>	<b>\$612.44M</b>

*\*In the 3/5 scenario, small employers are required to offer at least three days of leave and large employers at least five days. The 5/7 scenario requires small employers to offer at least five days of paid sick leave and large employers to offer at least seven days of paid leave. A small employer defined as less than 15 employees.*

## Societal Cost Savings from Earned Sick Leave in Missouri

**Employment Related Savings.** With earned sick leave, Missouri's workforce would become stronger, more stable, and more productive leading to economic growth.

- **Reduced Absenteeism.** Access to earned sick leave allows workers to stay home, reducing the overall spread of illness in the workplace; this leads to fewer illnesses among workers and fewer overall days off work.<sup>iv</sup>
- **Reduced Turnover.** Access to earned sick leave gives workers the ability to address their health needs and those of their families, without having to quit a job or risk being fired. Access to paid sick leave is associated with reduced job turnover, which in turn creates significant savings for businesses.<sup>v</sup>
- **Reduced Presenteeism.** Employers who do not offer paid sick leave have higher rates of "presenteeism" or lost productivity due to employees working while injured or sick.<sup>vi</sup> Offering paid sick leave reduces the likelihood of working at reduced capacity and allows workers to recover from illness or injury more quickly.

**Health Related Savings.** With earned sick leave, Missouri would become a healthier state as workers would have the ability to care for themselves and their families, while simultaneously benefiting their communities.

- **Reduced Flu Contagion in Society.** Workers without paid sick leave are more likely to come to work sick, increasing the likelihood of spreading the illness.<sup>vii</sup> Access to paid sick leave allows workers to stay home when ill, thus reducing the overall spread of influenza throughout the community.
- **Reduced Workers Compensation Costs.** Workers with access to paid leave are less likely to be injured on the job,<sup>viii</sup> reducing overall workers comp claims and cost to employers.
- **Reduced ER Visits.** Paid sick leave is associated with fewer trips to the emergency room.<sup>ix</sup> Access to paid sick leave allows workers to properly care for themselves and family members during an illness, preventing an escalation of the illness.
- **Improved Nursing Home Care.** Unpaid sick leave is especially problematic in nursing homes as the residents are especially vulnerable to the consequences of high turnover, absenteeism and presenteeism.<sup>x</sup> Access to paid sick leave allows nursing home workers to take care of themselves so that they can better care for residents.



## *Estimated Fiscal Impact of Petitions 24-025-042*

While previous estimates show a cost associated with state level administration and enforcement for earned sick leave of approximately \$1 million, we also expect that earned sick leave will be associated with a significant potential for increased revenue collections & decreased spending on services associated with the cost savings outlined above.

- **Increased revenue collections.** A stronger and more productive workforce is associated with economic growth. Economic growth is in turn associated with growth in both state and local revenue as both sales & income tax collections rise due to increased spending and wages.
- **Reductions in spending on services.** When workers are able to care for themselves and their families (and others in their community) they are less likely to have minor illnesses escalate into costly health problems. This reduces the overall cost of health care, particularly among low-wage workers who are disproportionately likely to lack access to paid leave. This in turn reduces state and local spending on health other related public services.

**As a result, we estimate the fiscal impact on state & local revenue of earned sick leave will be minimal as the increased revenue & decreased spending associated with a stronger workforce and healthier communities will offset the modest expenses associated with state level administration.** While we are confident that a net savings will be realized, the size of the savings is too speculative to estimate exact fiscal impact.

### Notes:

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<sup>i</sup> Dicke, Ohler, & Thorpe. (2022). Research on Paid Leave in Missouri. MU Institute of Public Policy.

<sup>ii</sup> Estimate based on 3-5 scenario from Dicke, Ohler, & Thorpe. (2022). Research on Paid Leave in Missouri. MU Institute of Public Policy.

<sup>iii</sup> Dicke, Ohler, & Thorpe. (2022). Research on Paid Leave in Missouri. MU Institute of Public Policy.

<sup>iv</sup> Stearns, J., & White, C. (2018). Can paid sick leave mandates reduce leave-taking?. *Labour Economics*, 51, 227-246.

<sup>v</sup> Hill, H. D. (2013). Paid sick leave and job stability. *Work and occupations*, 40(2), 143-173.

<sup>vi</sup> DeRigne, L., Stoddard-Dare, P., & Quinn, L. (2016). Workers without paid sick leave less likely to take time off for illness or injury compared to those with paid sick leave. *Health Affairs*, 35(3), 520-527.

<sup>vii</sup> Abay Asfaw, D., Rosa, R., & Pana-Cryan, R. (2017). Potential economic benefits of paid sick leave in reducing absenteeism related to the spread of influenza-like illness. *Journal of occupational and environmental medicine*, 59(9), 822.

<sup>viii</sup> Hawkins, D., & Zhu, J. (2019). Decline in the rate of occupational injuries and illnesses following the implementation of a paid sick leave law in Connecticut. *American Journal of Industrial Medicine*, 62(10), 859-873.

<sup>ix</sup> Ko, H., & Glied, S. A. (2021, May). Associations between a New York City paid sick leave mandate and health care utilization among medicaid beneficiaries in New York City and New York state. In *JAMA Health Forum* (Vol. 2, No. 5, pp. e210342-e210342). *American Medical Association*.

<sup>x</sup> Datta, P. (2021). The impact of mandated paid sick leave laws on the long-term care industry.

**Cassandra Gomez, Senior Staff Attorney, A Better Balance** provided the following information:



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January 14, 2023

The Honorable Scott Fitzpatrick  
Missouri State Auditor  
State Auditor's Office  
301 West High St., Rm. 880  
Jefferson City, MO 65102

*Submitted via e-mail to [fiscalnote@auditor.mo.gov](mailto:fiscalnote@auditor.mo.gov)*

Re: Proposal Related to Chapter 290, RSMo, Petition 2024-025-042

Dear Auditor Fitzpatrick:

A Better Balance is writing to submit our fact sheet titled "Paid Sick Leave Is Good for Business" to accompany petition 24-025-042 and to inform the fiscal note process. We thank you for considering our submission.

A Better Balance, a national nonprofit advocacy organization with four regional offices, uses the power of the law to ensure that working individuals can care for themselves and their loved ones without jeopardizing their economic security. Through legislative advocacy, policy, direct legal services, strategic litigation, and public education, our organization works around the country to advance policies like paid sick leave, paid family and medical leave, quality childcare and eldercare, and anti-discrimination protections for pregnant workers and caregivers. From Arizona and Colorado to Duluth (MN) and beyond, our organization has worked on the growing number of paid sick leave laws now in effect.

The enclosed fact sheet summarizes research and data on the resoundingly positive effect that paid sick leave has on business. When paid sick leave policies are in place, businesses financially benefit from increased worker productivity, reduced spread of contagious illness in the workplace, and lower employee turnover. Research has also underscored that workers and the larger community also have better health outcomes overall when there is access to paid sick leave. As documented in the attached fact sheet, paid sick leave has been shown to work well for businesses and workers throughout the country.

Thank you for giving us the opportunity to submit this information. Please do not hesitate to contact A Better Balance at [cgomez@abetterbalance.org](mailto:cgomez@abetterbalance.org) if we can provide any additional assistance.

Sincerely,  
A Better Balance

## Paid Sick Leave Is Good for Business

The research is clear: paid sick leave isn't just good for workers, it's good for business as well. Healthy workers are essential to a successful business and a strong economy. When workers have access to paid sick leave, they demonstrate increased job satisfaction, commitment, and morale, while employers—and their bottom lines—reap the benefits of increased worker performance and productivity and reduced worker turnover. And access to guaranteed paid sick leave is a vital component to keeping businesses open and safe through the COVID-19 pandemic and beyond.

### **Access to paid sick leave increases worker productivity and reduces the spread of contagious illness in the workplace, leading to direct savings for businesses.**

- Workers with minor illnesses are less productive than their healthy co-workers.<sup>1</sup> Paid sick leave reduces presenteeism (when employees show up to work while sick), which costs businesses approximately \$207.6 billion annually in reduced productivity.<sup>2</sup> After Washington State implemented its paid sick leave law, for example, the percentage of workers that went to work while sick decreased significantly.<sup>3</sup>
- Paid sick leave also reduces the spread of contagion between co-workers—further increasing productivity and labor in the workplace.<sup>4</sup> Absenteeism caused by the introduction of flu-like illness in the workplace is estimated to cost employers up to 111 million workdays per year.<sup>5</sup> Even before the pandemic, states with paid sick leave requirements saw a 40% decrease in influenza rates.<sup>6</sup>

### **Paid sick leave has proven to be particularly crucial to keeping businesses open during the COVID-19 pandemic.**

- As the country with the highest cumulative number of COVID-19 cases,<sup>7</sup> and the only one of the thirteen G12 countries with no paid sick leave,<sup>8</sup> it is undeniable that the U.S. will need paid sick leave to end this crisis, to save lives, and to minimize disruption to businesses struggling to avoid the spread of COVID-19 in the workplace.
- Paid sick leave has been critical to keeping businesses open throughout the pandemic. One study found that states in which workers gained temporary access to paid sick leave through the federal Families First Coronavirus Response Act<sup>9</sup> had around 400 fewer confirmed COVID-19 cases per day as a result.<sup>10</sup>

### **Employers with paid sick leave benefit from reduced worker turnover and better relationships with their employees, saving employers the cost of recruiting, interviewing, and training new hires.**

- In general, worker turnover is estimated to cost employers the equivalent of 21% of a worker's annual compensation.<sup>11</sup> However, providing paid sick leave only increases labor costs by an average of 2.7 cents per hour worked<sup>12</sup> and workers with paid sick leave are less

likely to leave their jobs,<sup>13</sup> saving businesses money on turnover costs such as interviewing and training.<sup>14</sup>

- Paid sick leave also increases worker loyalty and job satisfaction—factors known to increase productivity and job retention.<sup>15</sup> After Connecticut’s paid sick law went into effect, nearly 30% of surveyed employers reported improved employee morale, and over 20% reported increased employee motivation or loyalty.<sup>16</sup>
- Two years after paid sick leave went into effect in New York City, one employer reported that “the impact that I saw in my business was a much stronger bond between ourselves and our employees, higher productivity, and a *more* successful business, not a *less* successful business.”<sup>17</sup>

**Paid sick leave also saves employers money by reducing the likelihood of workplace accidents.**

- Throughout the country, direct and indirect costs associated with on-the-job injuries cost employers billions of dollars.<sup>18</sup> Workers with paid sick leave are 28% less likely than workers without access to paid sick leave to be injured on the job.<sup>19</sup>

**Lack of paid sick leave makes workers more likely to go to work while sick and puts co-workers and our communities at risk. With paid sick leave, our workplaces and communities are healthier, which improves the bottom line for employers.**

- Access to sick leave will be essential to overcoming the COVID-19 pandemic, as evidenced by previous pandemics. For example, it is estimated that the lack of paid sick leave was responsible for 5 million incidents of flu-like illness during the H1N1 pandemic.<sup>20</sup>
- In a simulated influenza epidemic, 72% of employees who caught the flu at work did so because of exposure to other employees attending work while sick; paid sick days would reduce flu incidences among workers by approximately 6% across all workplaces, and by over 7% in workplaces with 49 or fewer employees.<sup>21</sup>
- As explained above, access to paid sick leave reduces presenteeism (employees showing up to work while sick) and reduces overall contagion.<sup>22</sup> Presenteeism is linked to the spread of harmful contagions to co-workers and customers.<sup>23</sup>
- A study of data from the 2009 flu outbreak found that workers with paid sick leave were 30 percent more likely to be vaccinated and were more likely to seek treatment when they were sick with flu-like symptoms compared to those without paid sick leave.<sup>24</sup> This has proven true for COVID-19 as well—in June 2021, workers whose employers provided paid time off to get the vaccine or recover from any side effects were 24% more likely to have received at least one dose of the vaccine than workers whose employers provided no paid vaccine leave.<sup>25</sup>
- A lack of access to paid sick days is particularly harmful for service industry workers. Nearly two-thirds of restaurant workers have cooked or served food while sick,<sup>26</sup> and in 2011, nearly one in five food service workers went to work vomiting or with diarrhea, creating dangerous health conditions.<sup>27</sup>

- People without access to paid sick leave are 1.5x more likely to go to work while they have a contagious illness and are nearly twice as likely to send a sick child to school or daycare than those with access to it.<sup>28</sup>
- States that have implemented paid sick leave laws had an 11% decrease of cases of flu-like illnesses in their first year after enactment.<sup>29</sup>

**Workers with paid sick leave are more likely to seek preventative care than workers without paid sick leave, leading to better health outcomes and less time away from work.**

- People without paid sick days tend to be unable to make time for preventative health care, such as cancer screenings and flu shots, which makes it more likely that such workers will have more significant healthcare needs at later stages of an illness.<sup>30</sup>
- Workers with access to paid sick days report better general health than workers without paid sick days and are less likely to delay preventive medical care for themselves or for their family.<sup>31</sup>

**Paid sick leave has proven to work well for businesses all over the U.S., and experience shows that workers don't abuse paid sick leave.**

- Business practices don't have to change to keep up with paid sick leave laws. In a survey of New York City employers after the city's paid sick law was implemented, 91% of employers reported no reduction in hiring, 97% indicated they did not reduce hours, about 94% did not raise prices, and nearly 85% of employers reported no change in their overall business costs.<sup>32</sup>
  - In a similar survey of employers in Connecticut a year and a half after the state's paid sick law went into effect, nearly 90% of employers reported no reduction in hours, and about 85% did not raise prices.<sup>33</sup>
- Paid sick leave laws stimulate economic growth. When San Francisco's paid sick law went into effect in 2007, the city's job growth actually exceeded that of nearby counties, despite unfounded fears that the law would cause an economic slowdown.<sup>34</sup>
  - In comparison to other surrounding cities, Seattle saw greater increases in the number of employers in the city when its paid sick leave law was implemented,<sup>35</sup> and in general, job growth continued on an upward trend.<sup>36</sup>
  - After New York City's paid sick days were implemented, the average wage for hourly workers increased and the average number of weekly absences declined.<sup>37</sup> On the law's first anniversary, the New York City government released a report touting its successful implementation and noting that since the law went into effect, "the city has had steady job growth and the lowest unemployment in six years."<sup>38</sup>
- Workers don't abuse paid sick leave. After New York implemented its paid sick leave law, 98% of employers reported no cases of employee abuse of sick days.<sup>39</sup>

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- Employers know that paid sick leave laws work. Two years after New York City’s paid sick law was implemented, a staggering 86% of New York City employers polled supported the law.<sup>40</sup>
- Studies in Washington, D.C. and Seattle also saw no negative economic effects following implementation of their paid sick leave laws in either job loss or movement of businesses out of the city. A report from the Washington D.C. Auditor, issued five years after passage of the District’s sick leave law, found that the law “did not have the economic impact of encouraging business owners to move a business from the District nor did the [law] have the economic impact of discouraging business owners to locate a business in the District of Columbia.”<sup>41</sup> Likewise, a study of the economic impact of Seattle’s sick leave law found that a “preliminary look at available data shows no widespread negative economic impact as some opponents of the ordinance feared.”<sup>42</sup>
- Recognizing the benefits of paid sick leave, San Francisco, Washington, D.C., and New York City—all among the earliest adopters of paid sick leave laws—later *expanded* their paid sick leave laws, underscoring how well these laws are working for workers, employers, and communities.

For more information on paid sick leave policies, including summaries of existing paid sick leave laws, visit <https://www.abetterbalance.org/our-issues/paid-sick-time/>.

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<sup>1</sup> Andrew Smith, *A Review of the Effects of Colds and Influenza on Human Performance*, 39 J. Soc’y Occupational Med. 65 (1989).

<sup>2</sup> Walter F. Stewart et al., *Lost Productive Work Time Costs from Health Conditions in the United States: Results from the American Productivity Audit*, 45 J. Occupational & Envtl. Med. 1234 (Dec. 2003), <https://www.nationalpartnership.org/our-work/resources/economic-justice/paid-sick-days/lost-productive-work-time-american-productivity-audit.pdf> (unpublished calculation based on \$226 billion annually in lost productivity, 71 percent due to presenteeism).

<sup>3</sup> Daniel Schneider, *Paid Sick Leave in Washington State: Evidence on Employee Outcomes, 2016-2018*, Am. J. Pub. Health, Feb. 20, 2020, at e3-4, available at <https://ajph.aphapublications.org/doi/pdf/10.2105/AJPH.2019.305481>.

<sup>4</sup> See Stefan Pichler & Nicolas R. Ziebarth, *The Pros and Cons of Sick Pay Schemes: Testing for Contagious Presenteeism and Noncontagious Absenteeism Behavior*, 156 J. Pub. Econ. 14, 27 (2017).

<sup>5</sup> Abay Asfaw et al., *Potential Economic Benefits of Paid Sick Leave in Reducing Absenteeism Related to the Spread of Influenza-Like Illness*, 59 J. Occupational & Envtl. Med. 822, 826 (2017).

<sup>6</sup> Stefan Pichler & Nicholas R. Ziebarth, *The Pros and Cons of Sick Pay Schemes: Contagious Presenteeism and Noncontagious Absenteeism Behavior* (May 12, 2018), <https://voxeu.org/article/pros-and-cons-sick-pay>.

<sup>7</sup> WHO Coronavirus Disease (COVID-19) Dashboard, World Health Organization, <https://covid19.who.int/table> (last visited Mar. 31, 2022).

<sup>8</sup> The thirteen G12 countries include Australia, Belgium, Canada, France, Germany, Italy, Japan, Spain, Sweden, Switzerland, the Netherlands, the United Kingdom, and the U.S. *For How Long Are Workers Guaranteed Paid Sick Leave?*, World Policy Center, <https://www.worldpolicycenter.org/data-tables/policy/for-how-long-are-workers-guaranteed-paid-sick-leave> (last visited Mar. 31, 2022).

<sup>9</sup> *Fact Sheet: The Families First Coronavirus Response Act (FFCRA) & the Coronavirus Aid, Relief and Economic Security (CARES) Act*, A Better Balance (Jan. 8, 2021), <https://www.abetterbalance.org/resources/federal-coronavirus-proposal-the-families-first-coronavirus-response-act-h-r-6201/>.

<sup>10</sup> Stefan Pichler et al., *COVID-19 Emergency Sick Leave Has Helped Flatten the Curve in the United States*, 39 Health Affairs 2197, 2202 (2020), available at <https://www.healthaffairs.org/doi/10.1377/hlthaff.2020.00863>.

<sup>11</sup> Heather Boushey & Sarah Jane Glynn, *There Are Significant Business Costs to Replacing Employees*, Center for American Progress (Nov. 16, 2012), <https://www.americanprogress.org/issues/economy/reports/2012/11/16/44464/there-are-significant-business-costs-to-replacing-employees/>.

<sup>12</sup> Catherine Maclean et al., *Mandated Sick Pay: Coverage, Utilization, and Welfare Effects* 4, Washington Center for Equitable Growth (Jan. 2022), <https://equitablegrowth.org/working-papers/mandated-sick-pay-coverage-utilization-and-welfare-effects/>.

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<sup>13</sup> Vicky Lovell, *Valuing Good Health: An Estimate of Costs and Savings for the Healthy Families Act*, Inst. for Women's Pol'y Res. 7 (Apr. 2005), <https://iwpr.org/iwpr-general/valuing-good-health-an-estimate-of-costs-and-savings-for-the-healthy-families-act/>.

<sup>14</sup> Christine Siegwath Meyer et al., *Work-Family Benefits: Which Ones Maximize Profits?*, 13 J. Managerial Issues 28 (2001).

<sup>15</sup> Jane Farrell, *Myth vs. Fact: Paid Sick Days*, Ctr. for Am. Progress (Nov. 16, 2012),

<https://www.americanprogress.org/issues/economy/news/2012/11/16/45152/myth-vs-fact-paid-sick-days/>; Vicky Lovell, *No Time to Be Sick: Why Everyone Suffers When Workers Don't Have Paid Sick Leave*, Inst. For Women's Pol'y Res. 4 (2004), <https://iwpr.org/iwpr-general/no-time-to-be-sick-why-everyone-suffers-when-workers-dont-have-paid-sick-leave/>.

<sup>16</sup> Eileen Appelbaum et al., *Good For Business?: Connecticut's Paid Sick Leave Law*, Ctr. for Econ. & Pol'y Res. 15 (Feb. 2014), <https://www.cepr.net/documents/good-for-buisness-2014-02-21.pdf>.

<sup>17</sup> Zoe Ziliak Michel, *During Healthy Families Act Days of Action, Business Owners Stress Benefits of Paid Sick Time*, CLASP (May 16, 2016) (emphasis in original), <https://www.clasp.org/blog/during-healthy-families-act-days-action-business-owners-stress-benefits-paid-sick-time>.

<sup>18</sup> OSHA, *Business Case for Safety and Health*, <https://www.osha.gov/dcspp/products/topics/businesscase/costs.html> (last visited Mar. 31, 2022).

<sup>19</sup> Asfaw, *supra* note 7, at 822.

<sup>20</sup> Supriya Kumar et al., *The Impact of Workplace Policies and Other Social Factors on Self-Reported Influenza-Like Illness Incidence During the 2009 H1N1 Pandemic*, 102 Am. J. Pub. Health 134 (Jan. 2012), available at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3490553/>.

<sup>21</sup> Supriya Kumar et al., *Policies to Reduce Influenza in the Workplace: Impact Assessments Using an Agent-Based Model*, 103 Am. J. Pub. Health 1406, 1408 (Aug. 2013), available at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3893051/pdf/AJPH.2013.301269.pdf>.

<sup>22</sup> Stefan Pichler & Nicolas R. Ziebarth, *The Pros and Cons of Sick Pay Schemes: Testing for Contagious Presenteeism and Noncontagious Absenteeism Behavior*, Nat'l Bureau of Econ. Res. (Aug. 2016), <https://www.nber.org/papers/w22530.pdf>.

<sup>23</sup> Human Impact Partners & S.F. Dep't of Pub. Health, *A Health Impact Assessment of the Healthy Families Act of 2009* (June 11, 2009), [http://go.nationalpartnership.org/site/DocServer/WF\\_PSD\\_HFA\\_HealthImpactAssessment\\_HIA\\_090611.pdf?docID=5101](http://go.nationalpartnership.org/site/DocServer/WF_PSD_HFA_HealthImpactAssessment_HIA_090611.pdf?docID=5101).

<sup>24</sup> Yusheng Zhai et al, *Paid Sick Leave Benefits, Influenza Vaccination, and Taking Sick Days Due to Influenza-Like Illness Among U.S. Workers*, 36 Vaccine 7316 (2018).

<sup>25</sup> *Workers Are More Likely to Get a COVID-19 Vaccine When Their Employers Encourage It and Provide Paid Sick Leave, Though Most Workers Don't Want Their Employers to Require It*, Kaiser Family Found. (June 30, 2021), <https://www.kff.org/coronavirus-covid-19/press-release/workers-are-more-likely-to-get-a-covid-19-vaccine-when-their-employers-encourage-it-and-provide-paid-sick-leave-though-most-workers-dont-want-their-employers-to-require-it/>.

<sup>26</sup> Rest. Opportunities Ctrs. United, *Serving While Sick: High Risks & Low Benefits for the Nation's Restaurant Workforce, and Their Impact on the Consumer* (Sept. 30, 2010), <https://chapters.rocunited.org/publications/roc-serving-while-sick/>.

<sup>27</sup> Steven Sumner et al., *Factors Associated with Food Workers Working While Experiencing Vomiting or Diarrhea*, 74 J. Food Protection 215 (2011), available at [http://www.cdc.gov/nceh/ehs/ehsnet/Docs/JFP\\_ill\\_food\\_workers.pdf](http://www.cdc.gov/nceh/ehs/ehsnet/Docs/JFP_ill_food_workers.pdf).

<sup>28</sup> Tom W. Smith & Jibum Kim, *Paid Sick Days: Attitudes and Experiences*, Nat'l Opinion Res. Ctr. at U. of Chi. (June 2010), <https://www.issuelab.org/resource/paid-sick-days-attitudes-and-experiences.html>.

<sup>29</sup> Stefan Pichler, et al., *Positive Health Externalities of Mandating Paid Sick Leave*, IZA Institute of Labor Economics 17, 32 (July 2020), <http://ftp.iza.org/dp13530.pdf> (examining the effects of paid sick leave laws in Connecticut, Washington, D.C., California, Massachusetts, Oregon, Arizona, Vermont, Washington State, Rhode Island, and Maryland).

<sup>30</sup> LeaAnne DeRigne et al., *Paid Sick Leave and Preventive Health Care Service Use Among U.S. Working Adults*, 99 Preventive Med. 58 (2017); Lucy A. Peipins et al., *The Lack of Paid Sick Leave as a Barrier to Cancer Screening and Medical Care-Seeking: Results from the National Health Interview Survey*, BMC Public Health (2012), <http://www.biomedcentral.com/content/pdf/1471-2458-12-520.pdf>.

<sup>31</sup> Kevin Miller et al., *Paid Sick Days and Health: Cost Savings from Reduced Emergency Department Visits*, Inst. for Women's Pol'y Res. (Nov. 2011), <http://www.iwpr.org/publications/pubs/paid-sick-days-and-health-cost-savings-from-reduced-emergency-department-visits>.

<sup>32</sup> Eileen Appelbaum & Ruth Milkman, *No Big Deal: The Impact of New York City's Paid Sick Days Law on Employers*, Ctr. for Econ. & Pol'y Res. 21, 23 (Sept. 2016), <https://cepr.net/images/stories/reports/nyc-paid-sick-days-2016-09.pdf>.

<sup>33</sup> Appelbaum et al., *supra* note 18, at 13.

<sup>34</sup> Vicky Lovell & Kevin Miller, *Job Growth Strong With Paid Sick Days*, Inst. for Women's Pol'y Res. (Oct. 2008), <https://iwpr.org/iwpr-general/job-growth-strong-with-paid-sick-days/>.

<sup>35</sup> Jennifer Romich et al., *Implementation and Early Outcomes of the City of Seattle Paid Sick and Safe Time Ordinance*, City of Seattle 34 (Apr. 23, 2014), <https://www.seattle.gov/Documents/Departments/CityAuditor/auditreports/PSSTOUWReportwAppendices.pdf>.

<sup>36</sup> *Id.* at 35.

<sup>37</sup> Appelbaum & Milkman, *supra* note 34, at 23-24.

<sup>38</sup> "NYC's Paid Sick Leave Law: First Year Milestones," New York City Department of Consumer Affairs (June 2015), p. 4, <http://www1.nyc.gov/assets/dca/downloads/pdf/about/PaidSickLeaveLaw-FirstYearMilestones.pdf>.

<sup>39</sup> Appelbaum & Milkman, *supra* note 34, at 17.

<sup>40</sup> *Id.* at 28.

<sup>41</sup> Yolanda Branche, "Audit of the Accrued Sick and Safe Leave Act of 2008," Office of the District of Columbia Auditor (June 2013), p. 19, <http://dcauditor.org/report/audit-of-the-accrued-sick-and-safe-leave-act-of-2008/>.

<sup>42</sup> Main Street Alliance of Washington, "Paid Sick Days and the Seattle Economy: Job Growth and Business Formation at the 1-Year Anniversary of Seattle's Paid Sick and Safe Leave Law" (September 2013), p. 4, <http://www.eoionline.org/wp/wp-content/uploads/PSD-1-Year-Report-Final.pdf>.



**Richard von Glahn, Policy Director, Missouri Jobs with Justice** indicated he was resubmitting the information previously submitted for initiative petitions 24-016 through 24-023 for initiative petitions 24-031 through 24-042. Petitions 24-031 through petition 24-042 all contain the language from petitions 24-016 through 24-019 in regards to the minimum wage. They do not believe the fiscal impact of petitions 24-031 through 24-042 will be different from 24-016 through 24-019, so their submission is the same. They also provided the following information:

Summary of Minimum Wage Proposals			
Version number		Initiative summary	
Version number	Version number assigned by Secretary of State	Minimum wage level	Tipped credit change*
1	24-016	\$15 by '27 (\$.75/year)	no
2	24-017	\$16.25 by '27 (\$1.25/year)	no
3	24-018	\$15 by '26 (\$1.25/year)	no
4	24-019	\$16 by '27 (\$1/year)	no
5	24-020	\$15 by '27 (\$.75/year)	yes
6	24-021	\$16.25 by '27 (\$1.25/year)	yes
7	24-022	\$15 by '26 (\$1.25/year)	yes
8	24-023	\$16 by '27 (\$1/year)	yes

*\* in the case of a change in the tipped credit, all versions are the same with a gradual phase out of the tip credit at 5% of the total minimum wage rate per year.*

This letter is from Richard von Glahn and Missouri Jobs with Justice Voter Action, proponents of the above referenced minimum wage petitions. Pursuant to RsMO 116.175 we write to submit the following fiscal impact information to assist your office in the analysis of of the above mentioned eight minimum wage petitions.

Our analysis estimates the impact of the proposed petitions on state sales and personal income tax revenue in Missouri. Our analysis follows a process that has been used in the past to estimate the impact of minimum wage increases, with some updates. We are unable to provide calculations on local sales and income tax revenue, although it should be noted that impacted workers in Kansas City and St. Louis City are subject to a 1% earnings tax on income, so those municipalities will experience revenue gains from their constituents seeing wage increases. Local sales tax revenue will also increase, although the different taxing rates per jurisdiction made estimates overly cumbersome to predict. We also reference some economic literature on the impact of minimum wage laws on employment , social benefit spending and downstream impacts of wage increase in order to address some common claims made by opponents of similar initiatives in the past as well as provide a broader context of impact of wage increases.

As each of these petitions explicitly exclude public employers<sup>1</sup> from proposed increases, we do not include an analysis of payroll expenses to these employers.

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<sup>1</sup> Section 290.502 (4)

## I. Economic literature on the employment impact of increases in the minimum wage

With 30 states and numerous other municipalities having increased the minimum wage above the federal minimum, there is ample evidence of the impact of these increases. While opponents will undoubtedly cite individual studies that predict catastrophic job loss and resulting decline in state revenue, the most credible comprehensive review of empirical evidence comes from Hristos Doucouliagos and T.D. Stanley and shows no discernible impact on employment. Their study, “Publication Selection Bias in Minimum- Wage Research? A Meta-Regression Analysis<sup>2</sup>” combines over 1,500 estimates from 64 different studies. This peer reviewed article has the advantage of any single study in that it used a set of predetermined, objective criteria for weighing the validity of statistical findings across different studies that produced different results.

In addition to this comprehensive review, a recent publication “Are \$15 Minimum Wages too High” provides an analysis of California which has gradually increased the minimum wage from \$8 in 2014 to \$15 in 2022. Their analysis focuses on impacts of two groups of workers most exposed to minimum wage increases- teenagers and restaurant workers and finds that “substantial and ongoing pay increases throughout the treatment period and find no significant disemployment effects, even in relatively low-wage counties.<sup>3</sup>” This is the most recent study and is analyzing a similar level of increases and time period as the proposed initiatives.

There is ample empirical and theoretical evidence that corroborates these studies. First, relative to total wage and labor costs, minimum-wage increases are small. Second, employers and workers respond to minimum wage increases in many ways that reduce the actual costs to employers.

Probably the most important economic response to a higher minimum wage is a reduction in turnover. At higher wages, employers fill vacancies faster and retain employees longer, boosting total employment and average productivity per worker while reducing direct and indirect training costs. A 2017 study by employee benefits news found that turnover costs as high as 33% of a workers annual salary<sup>4</sup>. Avoiding these costs provides an obvious benefit to employers and research from Dube, Lester and Reich in 2012<sup>5</sup> finds “striking evidence that separations, new hires, and turnover rates for teens and restaurant workers fall substantially following a minimum wage increase.”

Based on these empirical studies we feel confident in concluding that there is no evidence that increasing the minimum wage will reduce employment. Accordingly, we do not include any projections for impact on employment and the resulting effects on revenue in our analysis.

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<sup>2</sup> Doucouliagos, Hristos and T.D. Stanley. 2009 “Publication Selection Bias in Minimum-Wage Research? A Meta - Regression Analysis.” *British Journal of Industrial Relations*, vol. 47, no. 2, pp. 406-428

<sup>3</sup> <https://irle.berkeley.edu/are-15-minimum-wages-too-high/>

<sup>4</sup> <https://www.benefitnews.com/news/avoidable-turnover-costing-employers-big>

<sup>5</sup> <https://irle.berkeley.edu/files/2012/Minimum-Wage-Shocks-Employment-Flows-and-Labor.pdf>

## II. Impact on state and federal spending on social safety net programs

One area where the state is likely to experience significant direct savings from an increase in the minimum wage is on state spending on social safety net programs. Research suggests that at least 44% of Missouri recipients of Medicaid, SNAP or the Federal EITC are members of working families who would be directly impacted by the proposed initiatives<sup>6</sup>. State and Federal spending for this share of the workers on these programs totals \$2,400,000.00 dollars. While programs such as SNAP are paid entirely by the federal government, medicaid has a percentage paid by state revenue and the state EITC going into effect this year will cost the state revenue. While individual circumstances often dictate the cost of these or similar programs to the state, it holds that as workers earn higher wages at work access to these benefits will decrease, saving the state potentially tens of millions of dollars.

## III. Estimate of number of workers impacted statewide and impact on wages

	Number of impacted workers			Total Wage Growth
	Direct impact	Indirectly impacted	Total	
<b>Proposal 1</b>	<b>293,000</b>	<b>198,000</b>	<b>491,000</b>	<b>\$576,819,000</b>
<b>Proposal 2</b>	<b>382,000</b>	<b>235,000</b>	<b>616,000</b>	<b>\$1,076,047,000</b>
<b>Proposal 3</b>	<b>331,000</b>	<b>194,000</b>	<b>525,000</b>	<b>\$733,133,000</b>
<b>Proposal 4</b>	<b>394,000</b>	<b>241,000</b>	<b>635,000</b>	<b>\$1,222,991,000</b>
<b>Proposal 5</b>	<b>293,000</b>	<b>198,000</b>	<b>491,000</b>	<b>\$688,721,000</b>
<b>Proposal 6</b>	<b>382,000</b>	<b>235,000</b>	<b>616,000</b>	<b>\$1,213,236,000</b>
<b>Proposal 7</b>	<b>331,000</b>	<b>194,000</b>	<b>525,000</b>	<b>\$852,823,000</b>
<b>Proposal 8</b>	<b>394,000</b>	<b>241,000</b>	<b>635,000</b>	<b>\$1,346,386,000</b>

*Note: All wages in 2022 dollars*

*Source: Economic Policy Institute Minimum Wage Simulation Model; see Technical Methodology by Dave Cooper, Zane Mokhiber, and Ben Zipperer.*

Across all eight version of the petitions estimates show a low of \$576 million and a high of over \$1.3 billion in wage growth for Missouri workers. These estimates include direct impacts to workers making under the minimum wage as well as secondary impacts to workers whose wages are predicted to rise as a result of the minimum wage increases.

## IV. Estimate of state income and sales tax revenue

<sup>6</sup> <https://laborcenter.berkeley.edu/the-public-cost-of-a-low-federal-minimum-wage/>

Based on the wage increase numbers above and the conclusion that minimum wage increases have no discernible impact on employment, we next calculate the impact of projected increases on state sales tax revenue and individual state income tax revenue for Missouri. As previously mentioned, we do not include estimates for local impacts, although we do project increased revenue there as local jurisdictions do capture sales tax revenue and in the case of the Kansas City and the City of St. Louis, increases in income are subject to the individual 1% earnings tax. We do not include any speculation of increased prices as a way to offset higher wages, although any such increase would result in higher sales tax revenue.

	<b>Estimated sales tax revenue*</b>	<b>Estimated individual income tax revenue**</b>	<b>Total revenue</b>
<b>Proposal 1</b>	<b>\$8,738,808</b>	<b>\$24,367,615</b>	<b>\$33,106,423</b>
<b>Proposal 2</b>	<b>\$16,302,112</b>	<b>\$45,457,412</b>	<b>\$61,759,524</b>
<b>Proposal 3</b>	<b>\$11,712,965</b>	<b>\$32,660,864</b>	<b>\$44,373,829</b>
<b>Proposal 4</b>	<b>\$18,528,314</b>	<b>\$51,665,035</b>	<b>\$70,193,348</b>
<b>Proposal 5</b>	<b>\$10,434,123</b>	<b>\$29,094,895</b>	<b>\$39,529,018</b>
<b>Proposal 6</b>	<b>\$18,380,525</b>	<b>\$51,252,936</b>	<b>\$69,633,462</b>
<b>Proposal 7</b>	<b>\$12,920,268</b>	<b>\$36,027,354</b>	<b>\$48,947,623</b>
<b>Proposal 8</b>	<b>\$20,397,748</b>	<b>\$56,877,834</b>	<b>\$77,275,582</b>

*\*State sales tax revenue is calculated by multiplying the estimated increase in wages by average annual Missouri General Revenue sales tax collections as a share of Missouri wages and salaries from 2015-2022 (or 1.515%)*

*\*\*Income tax is calculated by multiplying the estimated increase in wages by average Missouri net individual income tax collections as a share of Missouri wages and salaries from 2015-2022 (or 4.523%) less an expected 6.6% reduction in collections due to the recent reduction of Missouri's top income tax bracket to 4.95%.*

## **V. Other downstream impacts of higher wages**

Countless studies have also demonstrated the negative health impacts on adults and children of low wages as well as the negative impacts on child development, including academic achievement, of low wages. These situations often contain confounding variables that can make ascertaining cause and effect difficult, recent research using natural experiments to measure the direction of causation of the impact of public policies offers guidance for consideration. The research makes clear that “increases in parental income are found to lead to higher test scores and better educational outcomes for children, greater likelihood of employment in young

adulthood, and improved earnings<sup>7</sup>.” While the exact impact on state or local revenue is difficult to predict, research shows that the impact of higher wages on student academic achievement were four times higher per dollar increase as the effects found in a study of class size reductions that cost around \$12,000 per student<sup>8</sup>.” Direct impacts on state and local revenue, especially in the short term, are difficult to predict, but the growing body of research shows definite positive long term impacts on human development resulting from wage increases.

## **VI. Conclusion**

Overall we conclude that these petitions would generate a minimum net benefit to state general revenue of between thirty three and seventy seven million dollars with an undetermined net benefit for local revenue based on local considerations. This benefit is the direct result of the wage increases. Other savings are likely to accrue from a decrease in spending on safety net programs and a downstream benefit to the families of recipients of the wage increases. We submit this information in hopes that it can be useful in your determination of the fiscal impact of the proposed initiatives. Should you need any other information please do not hesitate to contact our office.

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<https://www.bostonfed.org/publications/community-development-discussion-paper/2021/the-downstream-benefits-of-higher-incomes-and-wages.aspx>

<sup>8</sup> [https://www.nber.org/system/files/working\\_papers/w21211/w21211.pdf](https://www.nber.org/system/files/working_papers/w21211/w21211.pdf)

The State Auditor's office did not receive a response from **Adair County, Boone County, Callaway County, Cass County, Cole County, Jackson County, Jasper County, St. Charles County, Taney County, the City of Cape Girardeau, the City of Columbia, the City of Jefferson, the City of Joplin, the City of Kirksville, the City of Mexico, the City of Raymore, the City of St. Joseph, the City of St. Louis, the City of Springfield, the City of Union, the City of Wentzville, the City of West Plains, Cape Girardeau 63 School District, Hannibal 60 School District, Malta Bend R-V School District, Mehlville School District, Wellsville-Middletown R-1 School District, State Technical College of Missouri, University of Missouri, the Missouri Office of Prosecution Services, the Metropolitan Police Department - City of St. Louis, the Clay County Board of Election Commissioners, the Lieutenant Governor's office, the Missouri Joint Municipal Electric Utility Commission, the Metropolitan Zoological Park and Museum District, the Missouri Municipal League, the Missouri Bar Association, the Municipal League of Metro St. Louis, University of Central Missouri, Harris-Stowe State University, Lincoln University, Missouri State University, Missouri Southern State University, Missouri Western State University, Northwest Missouri State University, Southeast Missouri State University, and Truman State University.**

### **Fiscal Note Summary**

State governmental entities estimate one-time costs ranging from \$0 to \$53,000, and ongoing costs ranging from \$0 to at least \$256,000 per year by 2027. State and local government tax revenue could change by an unknown annual amount depending on business decisions.