

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Don Dahl at 9:00 A.M. on February 15, 2005 in Room 241-N of the Capitol.

All members were present.

Committee staff present:

Jerry Ann Donaldson, Kansas Legislative Research Department
Norm Furse, Office of Revisor of Statutes
Renae Jefferies, Office of Revisor of Statutes
June Evans, Committee Secretary

Conferees appearing before the committee:

Bud Burke, Kansas Physical Therapy Assn.
Tuck Duncan, Kansas Occupational Therapy Association
Representative Kevin Yoder
Marlee Carpenter, Kansas Chamber of Commerce
Dick Carter, Manhattan Chamber of Commerce
Hal Hudson, National Federation of Independent Business
Jim DeHoff, Kansas AFL-CIO

Others attending:

See attached list.

The Chairman opened the hearing on **HB 2299 - Workers compensation advisory panel membership.**

Staff gave a briefing on **HB 2299.**

Bud Burke, Kansas Physical Therapy Association, testified as a proponent to **HB 2299**, stating under current law one person is appointed to the advisory panel by the Kansas Medical Society, the Kansas Association of Osteopathic Medicine, the Kansas Hospital Association, the Kansas Chiropractic Association, a member recommended by KCCI, a member recommended by the Kansas AFL-CIO, and a representative of providers of vocational rehabilitation services. The Kansas Physical Therapy Association is a major health care provider of injuries and treats a number of workers compensation injuries; therefore, they should be a member of the panel (Attachment 1).

R. E. "Tuck" Duncan, Kansas Occupational Therapy Association, testified as a proponent to **HB 2299**, requesting an amendment on page 2, lines 21 to change "eight" to "nine" and on line 27 add: "one member shall be appointed by the Kansas occupational therapy association (Attachment 2).

The Chairman closed the hearing on **HB 2299.**

The Chairman opened the hearing on **HB 2422 - City prohibited from adopting ordinances or entering into agreements requiring that wages in excess of the federal or state minimum wage be paid.**

Staff gave a briefing on **HB 2422.**

Representative Kevin Yoder, sponsor of the bill, testified as a proponent to **HB 2422.** Sensing the economic wealth to be gained from new business growth, many cities have attempted to encourage businesses to locate within their boundaries. New businesses create jobs and jobs create wealth and tax growth ultimately leading to a higher quality of life for all citizens. As more businesses enter an area, competition ensues and better skilled jobs are required.

As members of the Kansas Legislature, we endeavor to support cities in this effort to bring businesses to the state of Kansas. Certainly, cities have been given the opportunity to abate taxes, developed STAR bond authority and TIF financing. As cities and communities grow, the entire state benefits. The legislature needs to be selective when granting home rule authority to cities and counties.

CONTINUATION SHEET

MINUTES OF THE House Commerce and Labor Committee at 9:00 A.M. on February 15, 2005 in Room 241-N of the Capitol.

Wage ordinances come in many forms and have many purposes. Some require businesses that contract with a city to pay certain wages and others require certain wages as a result of tax incentives given by the city, some require all businesses to pay higher wages than required by state or federal law. These wages can be called "living" or "prevailing wages". Contrary to advocates for the living wage, many of the workers making less than a living wage are young adults who would likely not be hired by companies required to pay a living wage.

Wage ordinances increase the cost of doing business for all of us. As wage mandates go up so will the cost of doing business. These mandates would raise costs and the price of the end product to the consumer. These consumers may themselves relocate to areas where costs are lower, thereby decreasing employment opportunities for all individuals. Businesses must ultimately decide whether to increase prices, fire employees, or move their business. Firms with low profit margins may abandon their businesses if labor costs inhibit their ability to operate profitably.

In Kansas, if one city decides to begin artificially raising wages, then all cities may be affected. The wage ordinance, thereby, has its ultimate affect of artificially raising the floor on wages for all Kansas businesses and raising the cost of doing business for all of us.

Municipal living wage ordinances are bad for Kansas. We should endeavor to lower the cost of doing business in Kansas by eliminating barriers to economic growth and development (Attachment 3).

Marlee Carpenter, Vice President of Government Affairs, Kansas Chamber of Commerce, a proponent to **HB 2422**, stated no city or county ordinance could be passed to require a business in that community to pay a specific minimum wage to its workers. The bill has been brought forward because of a national movement to invoke local minimum wage ordinances, which has found its way to Kansas. This national effort has been billed around the promotion of so called "living wage" ordinances.

The typical "living wage" ordinance proposes to require private businesses pay its workers a minimum wage that is greatly above the state or federal minimum wage. Minimum wages that have been proposed have ranged from \$6.25 to \$10.75 an hour. Sometimes, the proposals would have different minimums proposed, depending on whether the employers in that community provides benefits. For instance, an employer who provides health insurance benefits may be compelled to pay \$8.00 an hour, while employers who do not provide health insurance would be forced to pay \$9.00.

The specific minimum wage is usually calculated by a study that determines what wage is needed to "live" in a community. To reach that figure, the study looks at housing, food, transportation, health and childcare and other costs to determine a needed wage.

The typical "living wage" ordinance is applied to employers who have received some city/county support.

For businesses operating in multiple Kansas locations, the specter of "living wage" ordinances is a high concern. They create the potential of artificial wage disparities in their operations in the state. **HB 2422** would leave government wage issues in the hands of Kansas legislators, rather than before City Councils and county Commissions across the state. An array if Kansas businesses, large and small, which the local living movement striking in their community would negatively affect, they would support this legislation (Attachment 4).

Dick Carter, Manhattan Area Chamber of Commerce, testified in support of **HB 2422**. This recent national grass-roots effort to encourage localized wage mandates has surfaced in Kansas; i.e., Wichita, Kansas City and Manhattan.

The Manhattan Area Chamber of Commerce believes that wages and benefits should be determined by the employee's skills and abilities, competitive practices and the employer's ability to compete in a global marketplace. Compensating employees based on regulation rather than the free market reduces the ability of employers to stimulate improved performance through higher wages (Attachment 5).

Hal Hudson, State Director, National Federation of Independent Business, testified in support of **HB 2422**.

CONTINUATION SHEET

MINUTES OF THE House Commerce and Labor Committee at 9:00 A.M. on February 15, 2005 in Room 241-N of the Capitol.

The living wage concept is anti-business, anti-growth, anti-local government and anti-taxpayer. The concept of living wage is being promoted across the nation by the Association of Community Organizations for Reform (ACORN). Their idea of a living wage is at least double the current federal minimum wage, plus health insurance, vacations, family leave time, and anything else they can negotiate. They are attempting to accomplish one city at a time what they have failed to accomplish at the federal or state levels (Attachment 6).

Jim DeHoff, Executive Secretary, Kansas AFL-CIO, testified as an opponent to **HB 2422**. This bill is similar to **SB 520** in 2000. It was opposed by the League of Municipalities because of home rule. It is believed that **HB 2422** could violate federal law because of the federal Davis-Bacon Act. This is an attempt to stop Living Wage Ordinances. Lawrence is the only city in Kansas that has a living wage and it only applies to businesses seeking tax break incentives. It is believed that city and county commissions should continue to exercise their duties in their communities on behalf of the local citizens that elect them (Attachment 7).

The Chairman closed the hearing on **HB 2422**.

The following written testimony was distributed: Proponents: Ashley Sherard, Vice President, Lenexa Chamber of Commerce, Lenexa (Attachment 8); Kevin Jeffries, President & CEO, Leawood Chamber of Commerce (Attachment 9); Christy Caldwell, Topeka Chamber of Commerce (Attachment 10); Cliff Sones, Wichita Independent Business Association (Attachment 11); and Opponent Sandy Jacquot, Director of Law/General Counsel, League of Kansas Municipalities (Attachment 12).

The meeting adjourned at 10:45 a.m. The next meeting will be February 16, 2005.

COMMERCE AND LABOR COMMITTEE

Date February 15, 2005

NAME	AGENCY
Jim Kliff	Kansas AFH-CIO
Ade Hudson	NFIB/KS - Topeka
Kos Mince	Hem Law Firm
Rick Thompson	KPOL-WC
Wil Leiby	KS. AFL-CIO
TUCK DUDCAN	KS Occupational Therapy Assn.
Charles Mossman	KS Chiropractic Assn.
Janey Jacquet	LKM
Michelle Bruner	KC Star
Paul Silovsky	KSTA
Dud Burke	KPTA

TESTIMONY

HB 2299 – Workers Compensation Advisory Panel Membership
Tuesday, February 15, 2005
House Commerce and Labor Committee

Good morning Mr. Chairman and Members of the Committee. My name is Bud Burke and I appear today on behalf of the more than 2500 Kansas Physical Therapists in the State of Kansas.

Under current law the Director of Workers Compensation appoints a Medical Administrator.

Section 1 of the bill outlines the duties of the Medical Administrator under current law.

Subsection (d) on page 2 contains language that describes the Advisory Panel created to assist the director in establishing a schedule of maximum fees as required by law.

We would propose to amend subsection (d) as proposed on lines 26 and 27 on page 2 of the bill.

Under current law one person is appointed by; the Kansas medical society, the Kansas Association of osteopathic medicine, the Kansas hospital association, the Kansas chiropractic association, a member recommended by KCCI, a member recommended by the Kansas AFL-CIO, and a representative of providers of vocational rehabilitation services.

Notably missing is a member appointed by the Kansas physical therapy association. Physical therapists are a major health care provider of injuries to the structure of the body and treat a significant percentage of workers compensation injuries.

We would appreciate your favorable consideration of the amendment to K.S.A. 2004 Supp. 44-510i.

Bud Burke

Comm + Labor
2-15-05
Atch # 1

----- End forwarded message -----

HTML Attachment [|]

Chairman Dahl,

As a private Kansas based business that supplies medical testing equipment to various medical providers, I encourage you to include a physical therapist on your workers compensation fee advisory panel. Physical therapists are playing an expanded role in treating musculoskeletal workers compensation injuries and are stakeholders in the monitoring of fees in workers compensation claims. Providing an opportunity for KPTA to have a representative on this important advisory panel will add significantly both to the standard of care and the oversight of Kansas' fee structure.

Sincerely,

**John Lohmeyer, CEO
Occupational Performance Center**

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Kansas Occupational Therapy Association

To: House Committee on Commerce and Labor
From: R.E. "Tuck" Duncan, KOTA
RE: HB2299

Please amend HB 2299 at page 2, lines 21 and 27 as follows:

(d) There is hereby created an advisory panel to assist the director in establishing a schedule of maximum fees as required by this section. The panel shall consist of the commissioner of insurance and seven ~~eight~~ ***nine*** members appointed as follows: One person shall be appointed by the Kansas medical society; one member shall be appointed by the Kansas association of osteopathic medicine; one member shall be appointed by the Kansas hospital association; one member shall be appointed by the Kansas chiropractic association; *one member shall be appointed by the Kansas physical therapy association, one member shall be appointed by the Kansas occupational therapy association*, and three members shall be appointed by the secretary. Of the members appointed by the secretary, one shall be a representative of employers recommended to the secretary by the Kansas chamber of commerce and industry; one shall be a representative of employees recommended to the secretary by the Kansas AFL-CIO; and one shall be a representative of providers of vocational rehabilitation services pursuant to K.S.A. 44-510g and amendments thereto. Each appointed member shall be appointed for a term of office of two years which shall commence on July 1 of the year of appointment. Members of the advisory panel attending meetings of the advisory panel, or attending a subcommittee of the advisory panel authorized by the advisory panel, shall be paid subsistence allowances, mileage and other expenses as provided in K.S.A. 75-3223 and amendments thereto.

Pursuant to KSA 65-5402. The practice of occupational therapy means:

“therapeutic use of purposeful and meaningful occupations (goal-directed activities) to evaluate and treat, pursuant to the referral, supervision, order or direction of a physician, a licensed podiatrist, a licensed dentist or a licensed optometrist, individuals who have a disease or disorder, impairment, activity limitation or participation restriction that

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interferes with their ability to function independently in daily life roles and to promote health and wellness. Occupational therapy intervention may include:

- (1) Remediation or restoration of performance abilities that are limited due to impairment in biological, physiological, psychological or neurological cognitive processes;
- (2) adaptation of tasks, process, or the environment or the teaching of compensatory techniques in order to enhance performance;
- (3) disability prevention methods and techniques that facilitate the development or safe application of performance skills; and
- (4) health promotion strategies and practices that enhance performance abilities.

and

(c) "Occupational therapy services" include, but are not limited to:

- (1) Evaluating, developing, improving, sustaining, or restoring skills in activities of daily living (ADL), work or productive activities, including instrumental activities of daily living (IADL) and play and leisure activities;
- (2) evaluating, developing, remediating, or restoring sensorimotor, cognitive or psychosocial components of performance;
- (3) designing, fabricating, applying, or training in the use of assistive technology or orthotic devices and training in the use of prosthetic devices;
- (4) adapting environments and processes, including the application of ergonomic principles, to enhance performance and safety in daily life roles;
- (5) applying physical agent modalities as an adjunct to or in preparation for engagement in occupations;
- (6) evaluating and providing intervention in collaboration with the client, family, caregiver or others;
- (7) educating the client, family, caregiver or others in carrying out appropriate nonskilled interventions; and
- (8) consulting with groups, programs, organizations or communities to provide population-based services.

Both physical therapy and occupational therapy are licensed by the Board of Healing Arts, are represented at BOHA by their own respective advisory councils, are allied health professions and occupational therapists are actively engaged in vocational rehabilitation and other treatment or services provided or ordered by health care providers and rendered to employees under the workers compensation act, such that they too should be on this panel if PTs are to be included.

Thank you for your attention to and consideration of this matter.



Every day, children and adults have or develop health conditions that significantly affect their ability to manage their daily lives. With the help of occupational therapy, many of these individuals can achieve or regain a higher level of independence. When skill and strength cannot be developed or improved, occupational therapy offers creative solutions and alternatives for carrying out daily activities. Occupational therapy is skilled treatment that helps individuals achieve independence in all facets of their lives. It gives people the "skills for the job of living" necessary for independent and satisfying lives. Services typically include:

- Customized treatment programs to improve one's ability to perform daily activities
- Comprehensive home and job site evaluations with adaptation recommendations
- Performance skills assessments and treatment
- Adaptive equipment recommendations and usage training
- Guidance to family members and caregivers

About Occupational Therapy Practitioners Occupational therapy practitioners are skilled professionals whose education includes the study of human growth and development with specific emphasis on the social, emotional, and physiological effects of illness and injury. The occupational therapist enters the field with a bachelors, masters, or doctoral degree. The occupational therapy assistant enerally earns an associate degree. Practitioners must complete supervised clinical internships in a variety of health care settings, and pass a national examination. Most states also regulate occupational therapy practice.

Who Benefits From Occupational Therapy? A wide variety of people can benefit from occupational therapy, including those with:

- work-related injuries including lower back problems or repetitive stress injuries
- limitations following a stroke or heart attack
- arthritis, multiple sclerosis, or other serious chronic conditions
- birth injuries, learning problems, or developmental disabilities
- mental health or behavioral problems including Alzheimer's, schizophrenia, and post-traumatic stress
- problems with substance use or eating disorders
- burns, spinal cord injuries, or amputations
- broken bones or other injuries from falls, sports injuries, or accidents
- vision or cognitive problems that threaten their ability to drive

OCCUPATIONAL THERAPY SERVICES IN WORK REHABILITATION: WORK HARDENING/WORK CONDITIONING

Work rehabilitation is a structured program of graded physical conditioning/strengthening exercises and functional tasks in conjunction with real or simulated job activities. Treatment is designed to improve the individual's cardiopulmonary, neuromusculoskeletal (strength, endurance, movement, flexibility, stability, and motor control) functions, bioemchanical/human performance levels, and psychosocial aspects as they relate to the demands of work. Occupational therapists use work-related activities in the assessment, treatment, and management of individuals whose ability to function in a work environment has been impaired by physical, emotional, or developmental illness or injury.

Work rehabilitation provides a transition between acute care and return to work while addressing the issues of safety, physical tolerances, work behaviors, and functional abilities.

What Are the Benefits of Work Rehabilitation?

- Injured individuals return more quickly and safely to employment with greater physical endurance/human performance levels and ability to meet and perform the job requirements.
- Injured individuals gain a clear knowledge of their capabilities and prepare them for reentry into the community and work force.
- Employers receive assurance that the employee is physically competent to perform the essential functions of the job and has the necessary work readiness skills. The employer may realize a reduction in lost work days, lost productivity, workers' compensation claims and associated costs.
- Insurance carriers receive rapid case resolution and a decrease in the administrative costs of case management.
- Physicians receive objective documentation of physical abilities on which to base return to work clearance, impairment rating or disability determination.
- Rehabilitation case managers gain a clearer picture of the individual's physical capacities, which aids in focused program planning and vocational exploration.

Who Should Be Referred for Work Rehabilitation?

- Individuals whose physical or behavioral tolerances interfere in return to work.
- Individuals who require modifications and/or reasonable accommodations to maximize safe and functional return to work following an illness or injury.
- Individuals who seek to re-enter the job market but require assistance in overcoming physical or behavioral barriers.
- Individuals who need to document their physical capabilities to perform specific job demands.

What Are the Goals of Work Rehabilitation?

- To insure a smooth, rapid, safe transition into the work force
- To develop physical tolerance for work, including flexibility, strength, and endurance
- To develop safe job performance to prevent re-injury
- To develop and reinforce appropriate work behaviors
- To provide data concerning a worker's physical and psychological tolerances that are essential to the vocational planning process
- To determine if tool or job site modifications, ergonomics, or assistive technology will remove barriers to return to work
- To promote patient responsibility and self-management

Where is Work Rehabilitation Provided? Industry (at the job-site), Community based health centers , Outpatient rehabilitation facilities, Individual or group practices, Hospital based programs

Who Pays for Work Rehabilitation? Workers' compensation insurance plans, Self-insured employers, Individual insurance plans, State and/or local agencies, Managed care plans

What Specialized Education and Experience Do Occupational Therapy Practitioners Bring to Work Rehabilitation?

- Occupational therapists hold bachelor's or master's degrees and occupational therapy assistants have associate degrees. Occupational therapy practitioners must complete supervised clinical internships in a variety of health care settings and are required to pass a national certification examination. Individual states also regulate occupational therapy practice. Occupational therapy education includes the study of human growth and development with specific emphasis on the social, emotional, and physiological implications of illness and injury.
- Occupational therapy practitioners are also skilled in developing and guiding a job-specific program of graded activity for the individual, job task analysis, and job station and tool modification, and in identifying and remediating behaviors inappropriate to the work environment.
- Occupational therapy practitioners use their knowledge of the structure and function of the human body, the effects of illness and injury, and the components of activity to increase the individual's involvement in productive activity and safe practices.



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HOUSE OF REPRESENTATIVES

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KEVIN YODER
20TH DISTRICT

February 15, 2005

State Representative Kevin Yoder
Testimony in Support of HB 2422

OVERVIEW

In recent years, cities around the United States have considered various options to improve the quality of life of their citizens. Sensing the economic wealth to be gained from new business growth, many cities have attempted to encourage businesses to locate within their boundaries. New businesses create jobs and jobs create wealth and tax growth ultimately leading to a higher quality of life for all citizens. As more businesses enter an area, competition ensues and better skilled jobs are required.

As members of the Kansas Legislature, we endeavor to support cities in this effort to bring businesses to the state of Kansas. Certainly, we have given cities the opportunity to abate taxes, we've developed STAR bond authority and TIF financing. As our cities and communities grow, all of us in the state of Kansas benefit. When granting home rule authority to cities and counties, we have a duty to be selective and we have a duty to allow only those privileges that we feel are appropriate for a vibrant and strong Kansas.

WAGE ORDINANCES

While many municipalities have taken up the mantle of business development in earnest, some cities across the country have found themselves subjected to a very different movement. Starting with Baltimore in 1994, municipalities across the country have slowly been adopting wage ordinances above and beyond those required by state and federal law. These ordinances have now found themselves in dozens of cities across the United States. This is a movement that I suggest, we ought to preempt in the state of Kansas.

These wage ordinances come in many forms and have many purposes. Some require businesses that contract with a city to pay certain wages and others require certain wages as a result of tax incentives given by the city, some require all businesses to pay higher wages than required by state or federal law. These wages can be called "living" or "prevailing wages".

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Wage ordinances hurt jobs.

The basic premise of these ordinances is that business growth in lower paying jobs is not beneficial to the quality of life for a city and therefore if a business can't pay a certain wage higher than the federal minimum, then that business is not allowed to pay a wage at all. While laudable in its goal, a "living wage" ordinance does little to raise the standards of a community and in the long run will slow economic growth, reduce jobs, reduce wealth creation and ultimately lower the quality of life for a community. Of course, there's nothing in these ordinances that make workers more productive. It only makes them less affordable.

When government, and not individual employers and employees, determines what constitutes a "living wage," the results are detrimental to both employer and employee.

Consider the following:

In a 1999 study on the impact of government-mandated wages, the Mackinac Center for Public Policy found that such laws, among other things:

- Fail to help workers and actually hurt employment;
- Slow job creation and economic growth; and

The study also found that there is no net economic benefit to the living wage. Benefits derived by recipients of higher wages were offset by losses incurred by the newly unemployed resulting from the higher mandated wages

Contrary to advocates for the living wage, many of the workers making less than a living wage are young adults who would likely not be hired by companies required to pay a living wage. According to Bureau of Labor Statistics (BLS) data, over half (51 percent) of all workers earning the minimum wage or below are young adults aged 16 to 24 years. Individuals living with their parents make up the largest group of minimum wage earners (35.1 percent).

Ultimately, Living wage proposals are poorly focused and may actually hurt the intended beneficiaries. Job losses will fall most heavily on those with the lowest skill and education levels and only a fraction of the benefits will accrue to the intended recipients-low-income families. This is because living wage proposals focus on lower-wage earners, of whom the largest group is youth still living with relatives.

Wage ordinances increase the cost of doing business for all of us.

As wages mandates go up so will the cost of doing business. These mandates will raise costs and the price of the end product to the consumer. These consumers may themselves relocate to areas where costs are lower, thereby decreasing employment opportunities for all individuals. Businesses must ultimately decide whether to increase prices, fire employees, or move their business. Firms with low profit margins may abandon their businesses if labor costs inhibit their ability to operate profitably.

In Kansas, if one city decides to begin artificially raising wages, then all cities may be affected. A business may decide not to locate in a region due to an unfriendly climate in a surrounding city. As these living wage ordinances artificially drive up the cost of doing business, employees will be attracted to cities that have wages that are higher than what they are being paid in their current jobs. In order to keep the good employees from leaving the surrounding cities, employers may consider raising their wages in order to compete. The wage ordinance thereby has its ultimate affect of artificially raising the floor on wages for all Kansas businesses and raising the cost of doing business for all of us.

Municipal living wage ordinances – bad for Kansas.

As cities consider the use of the apparent authority to raise wage rates in their city through the enactment of living wage ordinances they send the wrong message to the business community regarding the business climate in the area. We as a legislature should endeavor to lower the cost of doing business in Kansas by eliminating barriers to economic growth and development.

There are two ways to raise the wages of workers in Kansas. We could affect wages on the front end by supporting public education and higher education and giving all Kansans the tools they need to be successful and competitive in today's market. This will encourage businesses to consider Kansas as source of high quality of labor. Or, we could affect wages on the back end by artificially requiring businesses to pay employees more than the market dictates or they are worth.

Legislative Testimony

HB 2422

February 15, 2005

**Testimony before the Kansas House Commerce Committee
By Marlee Carpenter, Vice President of Government Affairs**

Chairman Dahl and members of the Committee;

The Kansas Chamber and its over 10,000 small medium and large business members support HB 2422. If approved, HB 2422 would state that no city or county ordinance could be passed to require a business in that community to pay a specific minimum wage to its workers. The bill is before you at this time because of a national movement to invoke local minimum wage ordinances, which has found its way to Kansas. This national effort has been billed around the promotion of so called "living wage" ordinances.

WHAT IS A LIVING WAGE ORDINANCE

The typical "living wage" ordinance proposes to require private businesses pay its workers a minimum wage that is greatly above the state or federal minimum wage. Minimum wages that have been proposed have ranged from \$6.25 to \$10.75 an hour. Sometimes, the proposals will have different minimums proposed, depending on whether the employers in that community provide benefits. For instance, an employer who provide health insurance benefits may be compelled to pay \$8.00 an hour, while employers who do not provide health insurance would be forced to pay \$9.00.

The specific minimum wage is usually calculated by a study that determines what wage is needed to "live" in a community. To reach that figure, the study looks at housing, food, transportation, health and childcare and other costs to determine a needed wage.

The typical "living wage" ordinance is applied to employers who have received some city/county support. In other words, the ordinance will be directed at employers who contract with local government to provide services or have received some economic development support.

WHO IS BEHIND THE NATIONAL "LIVING WAGE" MOVEMENT

The Association of Community Organizations for Reform Now (ACORN) is the national advocate for "living wage" ordinances. ACORN takes credit for leading coalitions in passing ordinances in the major cities I cited earlier. In addition, on the organization's website, ACORN says it has "provided technical assistance to dozens of other campaigns from Miami to Manhattan, KS to San Francisco."

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2-15-05
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**THE KANSAS
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In perhaps the most brazen examples of organizational hypocrisy ever, ACORN is the group that sued the state of California to be excused from that state's minimum wage law (\$4.25 an hour), saying in its brief the more ACORN must pay to each worker, because of minimum wage and overtime requirements, would cause them to be able to hire fewer workers.

WHAT IS WRONG WITH "LIVING WAGE" ORDINANCES

As in other examples of government imposition of wages, "living wage" proposals are the wrong way to go about establishing what a worker should be paid for the work perform. When private enterprise prevails, issues of skills to perform a job, revenue generated from the work and the availability of employees lead to determining a wage. In living wage, government is saying it costs here is how much it costs to live in our town and business must pay a wage to meet that level. At its heart, the wage has no relationship to the work being performed.

Local wage ordinances limit job creation. By making the cost of labor increase, a business is compelled to respond. Often, that response is to eliminate employment position. Additionally, the positions eliminated tend to be the low wage work, thereby hurting the people living wage ordinances are allegedly proposed to help.

By imposing a "wage tax" on a community, living wage ordinances drive up government costs. As a result, inherent in the proposals is the potential for higher local government costs and therefore higher taxes.

HOW HB 2422 ADDRESSES THIS ISSUE

For businesses operating in multiple Kansas locations, the specter of "living wage" ordinances is a high concern. They create the potential of artificial wage disparities in their operations in the state. HB 2422 would leave government wage issues in the hands of Kansas legislators, rather than before City Councils and County Commissions across the state.

For a segment of the Kansas Chamber's membership concerned with economic development, living wage proposals are considered a serious challenge to their efforts to recruit and retain businesses in their communities and to promote job creation. Those members would support this issue being a state level decision.

Finally, for an array of Kansas businesses, large and small, which the local living wage movement striking in their community would negatively affect, they would support this legislation.

We urge this committee to support HB 2422 and I will be happy to stand for any questions.

The Kansas Chamber, with headquarters in Topeka, is the statewide business advocacy group moving Kansas towards becoming the best state in America to do business. The Kansas Chamber and its affiliate organization, The Kansas Chamber Federation, have more than 10,000 member businesses, including local and regional chambers of commerce and trade organizations. The Chamber represents small, medium and large employers all across Kansas.

Kansas Chamber Federation

Arkansas City Area Chamber of Commerce
Atchison Area Chamber of Commerce
Baxter Springs Chamber of Commerce
Chanute Area Chamber Of Commerce and Office Of Tourism
Coffey County Chamber of Commerce
Coffeyville Area Chamber of Commerce
Colby/Thomas County Chamber Of Commerce
Derby Chamber of Commerce
Dodge City Area Chamber of Commerce
Emporia Area Chamber of Commerce
Finney Co. Econ. Dev. Corp.
Fort Scott Area Chamber of Commerce
Grant County Chamber Of Commerce
Great Bend Chamber of Commerce
Hays Area Chamber of Commerce
Hutchinson/Reno Co. Chamber Of Commerce
Junction City Area Chamber Of Commerce
Leavenworth-Lansing Area Chamber of Commerce
Liberal Chamber of Commerce
Manhattan Area Chamber Of Commerce
McPherson Chamber of Commerce
Northeast Johnson Co. Chamber
Ottawa Area Chamber Ottawa/Franklin Co. Econ. Dev.
Parsons Chamber of Commerce
Pittsburg Area Chamber of Commerce
Pratt Area Chamber Of Commerce and Economic Development
Greater Topeka Chamber of Commerce
Salina Area Chamber of Commerce
Wichita Area Chamber of Commerce
Wichita Independent Business Association
Winfield Area Chamber of Commerce

**Statement of Support Re: HB 2422
House Committee Commerce & Labor**

**Manhattan Area Chamber of Commerce
Dick Carter
February 15, 2005**

Chairman Dahl and members of the committee, my name is Dick Carter and I represent the Manhattan Area Chamber of Commerce. I appear before you today to offer support for HB 2422.

This recent national grass-roots effort to encourage localized wage mandates has surfaced in Kansas – Wichita, Kansas City, and Manhattan.

The Manhattan Area Chamber of Commerce believes that wages and benefits should be determined by the employee's skills and abilities, competitive practices and the employer's ability to compete in a global marketplace. Compensating employees based on regulation rather than the free market reduces the ability of employers to stimulate improved performance through higher wages. The free market system and a strong local economy, combined with education and long-term skill development, provide the most effective way to raise wages and benefits for the workforce.

As the Manhattan area seeks to enhance its economic growth through downtown redevelopment – and with the possibility of many new entrepreneurial ventures and spin-off companies as a result of new research that will be conducted in Manhattan, the Chamber believes that the standards outlined in HB 2422 best address wage issues in Kansas – on a state level.

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The Voice of Small Business®

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**Statement by
Hal Hudson, Stet Director
National Federation of Independent Business
Before the
House Commerce and Labor Committee
on House Bill 2422
Tuesday, February 15, 2005**

Mr. Chairman and member of the committee:

Thank you for this opportunity to appear in support of HB 2422. My Name is Hal Hudson, and I am State Director of NFIB - the National Federation of Independent Business. I know from past experiences with this subject that the legislature is reluctant to enact prohibitions against cities and counties. However, this issue constitutes a reasonable exception.

The living wage concept is anti-business, anti-growth, anti-local government and anti-taxpayer. Its unintended consequence is economic disruption, wherever it has been enacted. I urge you to approve HB 2422, so that we don't have mish-mash of city ordinances mandating different wages across our state.

- The concept of living wage is one being promoted across our nation by ACORN, the Association of Community Organizations for Reform. ACORN's idea of a living wage is at least double the current federal minimum wage, plus health insurance, vacations, family leave time, and anything else they can negotiate.
- ACORN is attempting to accomplish one city at a time what they have failed to accomplish at the federal or state levels. They know it often takes only three votes to enact a city or county ordinance.
- Living wage proposals by ACORN would enact the larger increases we've ever seen in the starting wage. Such increases in labor costs would place a huge burden on small businesses.
- Many small employers already are facing 15 percent to 20 percent increases in health insurance premiums. A large living wage increase not only adds to these labor costs but also could force employers to cut back on health-care coverage or other fringe benefits that they need to attract workers.
- Living wage hikes could have ripple effects on the economy, often having unintended consequences against the entry-level earners the proponents profess to help. When small business and employees are hurt, it's a double whammy for the economy.
- Higher mandated wages reduce employment opportunities for the least skilled and cause shifts in the profile of those who get hired as employers favor more highly skilled applicants. And as entry-level unskilled job opportunities disappear, welfare recipients have a more difficult time finding work. Thus, those who most need assistance are helped the least.
- Finally, the living wage will result in higher costs of government, and ultimately higher local taxes to pay for services, because cities and counties would have to pay higher wages, as well as those businesses that perform services for the governmental agencies.

I urge you to vote YES on HB 2422, and to support its enactment into law.

Thank you.

National Federation of Independent Business - KANSAS
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Kansas AFL-CIO

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Testimony on HB 2422 to the House Commerce & Labor Committee

by Jim DeHoff, Executive Secretary
Kansas AFL-CIO
February 15, 2005

Chairman Dahl and Committee Members:

I am Jim DeHoff, Executive Secretary of the Kansas AFL-CIO. I'm appearing before you today in opposition to HB 2422.

This bill is similar to a bill advanced by the state Chamber of Commerce in 2000. It was then SB 520. It was opposed by the League of Municipalities because of home rule.

We also think you should be aware that HB 2422 could very well violate federal law because of the federal Davis-Bacon Act, federal wage regulations that are applied to funding grants for cities and counties.

HB 2422 is an attempt to stop Living Wage Ordinances. The only city I am aware of in Kansas that has a living wage is Lawrence, Kansas, and it only applies to businesses seeking tax break incentives.

We believe that city and county commissions should continue to exercise their duties in their communities on behalf of the local citizens that elect them.

Thank you.



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2-15-05
Atch # 7



The Historic Lackman-Thompson Estate

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TO: Representative Don Dahl, Chairman
Members, House Commerce & Labor Committee

FROM: Ashley Sherard, Vice-President
Lenexa Chamber of Commerce

DATE: February 15, 2005

RE: **HB 2422—Prohibition on Local Wage Mandates**

The Lenexa Chamber of Commerce would like to express its support for HB 2422, which would prohibit local governments from adopting ordinances or entering into agreements requiring that companies contracting with the municipality pay wages in excess of the federal or state hourly minimum wage.

We believe local mandated wage hikes for city/county contractors – often referred to as “living wage” provisions – reflect poor public policy. First, they inflate the cost of local government contracts and, as a result, increase government spending at taxpayer expense. Second, they create costly and unnecessary paperwork and require ongoing administrative oversight for both the local government and the employers. Lastly, they serve as a substantial barrier preventing businesses – particularly smaller companies – from bidding on government contracts, discouraging key economic development.

Further, although the purported intent of “living wage” initiatives is to help lower-income workers, studies show that its costs may instead produce the opposite effect by causing the loss of critical entry-level jobs, either by direct elimination, by cutting hours, or by attracting more highly skilled workers that out-compete the lesser-skilled for positions. These ordinances are also poorly targeted, often missing the lowest-income workers, and inefficient, with the new income subject to payroll and income taxes and counted by other assistance programs.

Unfortunately, a growing number of municipalities around the country are enacting these “living wage” ordinances. Recognizing this disturbing trend, at least nine states have already passed preemption laws prohibiting local wage mandates, including Colorado and Missouri (others are AZ, FL, LA, OR, SC, TX, and UT). Several more are considering it.

Because it would prohibit “living wage” initiatives that promote government waste and expense, mandates, and poor economic policy, the Lenexa Chamber of Commerce urges the committee to recommend HB 2422 favorable for passage. Thank you for your time and consideration of this issue.

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To: Representative Don Dahl, Chairman, House Commerce and Labor Committee
Members, House Commerce and Labor Committee

From: Kevin Jeffries, President & CEO
Leawood Chamber of Commerce

2005

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Mayor Peggy
Dunn, *Advisory
Director*

Subject: HB 2422

HB 2422 prohibits cities and counties in the State of Kansas from requiring certain wages be paid, and is an important piece of legislation whose passage would provide positive benefits for the members of our organization.

Our member businesses could be less competitive in the even the national economy if they were subject to minimum wages that were different than neighboring states and communities. Without this legislation, increased minimum wage requirements could result in lost jobs in our area for many of those who can least afford to lose their jobs.

Current Federal and State minimum wage guidelines provide an appropriate framework, and this legislation will help clarify our State's policy.

Our organization, representing over 300 businesses, and over 3,000 employees in the Leawood area, feels that passage of this legislation would provide positive benefits for our member organizations.

Thank you.

House Commerce Committee
Written testimony on HB 2422
February 15, 2005
By: Christy Caldwell
Greater Topeka Chamber of Commerce

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Topeka, Kansas 66603-3515

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Chairman Dahl and Members of the Committee:

The Greater Topeka Chamber of Commerce would like to express our support for HB 2422 which prohibits cities and counties from setting local minimum wage requirements. We believe decisions regarding wage levels belong with the local employer whether that employer be a business or local government.

A national survey of labor economists in the American Economic Association was conducted by the University of New Hampshire Survey Center for the Employment Policies Institute... Seven out of ten labor economists (71%) believe that even modest local living wage proposals would cause employers to reduce the number of entry-level employees. "Living wage increases are not an efficient way to help the poor. By requiring employers to pay a higher wage for positions once considered entry-level, they will inadvertently attract higher skilled employees to the job," Dr. Richard Toikka, Chief Economist for the Employment Policies Institute said. "The lower skilled employees and applicants will find it more difficult to hold jobs or get hired in this new environment."

"The displacement effect of living wages cannot be disputed," Toikka said. "Many low-skill workers that are intended to win from a 'living wage' increase end up losing. Proponents and opponents of living wages alike agree on this conclusion."¹

The Topeka Chamber believes that efforts to set local minimum wages steal time away from local issues that need attention by communities. Employers facing artificially increasing labor costs have few options. They either cut the number of employees and in some cases automate functions in the workplace or their costs go up. In the case of government employers, increasing labor costs in a static economy results in raising taxes on the citizenry to pay for those higher labor costs. These increased taxes deter further private development and may in the end cause a loss of jobs in the private sector. Persons who lose their jobs then require government services to survive, thus causing further higher taxes to support the resulting increased usage of government services. A spiral effect without a positive end. Labor costs, beyond the federal minimum wage, should remain market driven.

By pre-empting the ability of local governments to set alternative minimum wages, this problem is diverted. This legislation also forestalls any requirements that private-sector employers be required to comply with a mandated local minimum wage which is not market-driven, in order to contract with local government. Again this will drive costs up for the local government and the taxpayers, and will most likely cause a reduction in needed community improvements or higher taxes to cover the costs of the higher wages. We appreciate the sponsors of this bill recognizing the problems with mandated local minimum wages and their bringing it to the committee's attention. We ask that the committee support HB 2422.

¹ LivingWage.com Employment Policies Institute 3-14-02



Wichita Independent Business Association

THE VOICE OF INDEPENDENT BUSINESS

**Testimony by Cliff Sones
in Support of HB 2422
House Commerce and Labor Committee
February 15, 2005**

Chair Dahl and Honorable Committee Members,

The members of Wichita Independent Business Association support HB 2422 as we believe there is considerable evidence that living wage laws only increase the difficulties faced by unskilled, low-wage workers. Given the financial responsibilities of the state of Kansas to municipalities, and the state's current budgetary difficulties, preemption of local living wage laws is entirely appropriate.

A living wage is nothing other than a super-minimum wage imposed by municipal government, as opposed to state or federal government. It applies only to firms doing business with the local government. State and federal minimum wage statutes preempt local wage ordinances that would apply to all other private firms.

The Economic Impact of Living Wage Laws

Consider who loses if a living wage law is enacted; it is the very people that proponents say they are attempting to help because there would be those unable to find work because potential employers cannot afford the increased wages mandated by living wage laws.

Labor economists refer to the "elasticity" of demand for labor, to describe the ratio of jobs gained or lost when wages change. Estimates of this "elasticity" vary, but the average estimate by labor economists is that for a 10 percent increase in the minimum wage, employment among those affected drops by 2 percent.

Those same labor economists will also tell you that the "elasticity" of demand for teenage workers is less severe than that of low-wage workers overall, in other words, proportionally fewer teenagers will lose their jobs as a result of a wage increase. Consequently the job losses will fall more heavily on older workers – who, it stands to reason, are more likely to have dependents.

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The Cost of Living Wage Laws

When workers are laid off, they draw unemployment funds that are paid for by employers that frequently have locations across the state. Families with dependent children eventually draw on state welfare programs if the "breadwinner" is unable to find work soon enough.

Living wage laws are likely to increase the cost of local government more directly. Firms may be hesitant to bid on local government contracts if a living wage law will disturb their own pay scales. Depending on how the ordinance is drafted, a company with one city contract could find itself forced to give substantial company-wide pay increases.

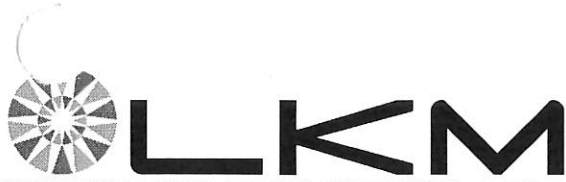
Even if the application of living wage is limited to those working directly on a municipal contract, the disruption of having separate wage schedules could lead companies to pass up municipal contracts, lessening competition and driving the cost of government even higher.

The state is certainly within its rights to insist that this money be spent in the most cost-effective manner possible. That means local contracts should go to the lowest qualified bidder, with a minimum of strings and conditions added by local government. It is also quite proper for the state to preempt laws that increase the burdens of public assistance programs, which the living wage law is likely to do.

Conclusion

Few of the benefits of living wage ordinances go to poor families. The state will ultimately be forced to pick up a significant portion of the bill. That will include greater demand for revenue sharing from municipalities that have passed living wage laws. The state will also be forced to adjust for an increased need for social services to the families of those who are unable to find work. In light of the likely costs to both poor families and taxpayers across the state, preemption of local living wage laws by the Kansas Legislature is an appropriate response and we believe this bill should be passed into law.

The members of the Wichita Independent Business Association respectfully ask that you support HB 2422.



League of Kansas Municipalities

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TO: House Commerce and Labor Committee
FROM: Sandy Jacquot, Director of Law/General Counsel
DATE: February 15, 2005
RE: HB 2422

Thank you for allowing the League of Kansas Municipalities to submit written testimony in opposition to HB 2422. This bill would prohibit cities and counties from adopting ordinances and resolutions requiring that any entity contracting with the local government pay wages higher than minimum wage. In addition, it prohibits cities and counties from contracting for such provision.

This bill would take away local decision making authority and vest it with the state. Locally elected officials know what is in the best interest of their communities and to take away the ability to contract or legislate on this issue erodes local control and the ability of those elected officials to fulfill their duty to their communities. In some instances, the city may deem it better public policy to ensure that their citizens employed by a contractor are paid a living wage. In fact, it may be that grant funding requires such a contractual provision. In other situations, the city may determine that the better public policy is to let the market dictate what wage its citizens are paid. In both circumstances, the city should be able to evaluate the will of its citizens and legislate or contract accordingly. HB 2422 unduly interferes with locally elected officials' ability to listen to their citizens and act in their best interests. The League urges the committee to defeat HB 2422 in the interest of good government.