

## MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:30 A.M. on February 19, 2008 in Room 123-S of the Capitol.

All members were present except:

Nick Jordan- excused

Jay Emler- excused

Committee staff present:

Jennifer Thierer, Kansas Legislative Research Department

Kathie Sparks, Kansas Legislative Research Department

Norm Furse, Revisor of Statutes

Jason Long, Revisor of Statutes

Jackie Lunn, Committee Assistant

Conferees appearing before the committee:

Mike Michaels, Vice President, Kansas Economic Development Alliance (KEDA)

Senator Roger Reitz

Bob Newsome, Riley County Board of Commissioners

Bishop Scott Jones, Kansas Catholic Conference

Sister Terese Bangert, Kansas Catholic Conference

Heidi Zeller, Kansas Action Network

Jake Lowen, Wichita/Hutchinson Labor Federation of Central Kansas

Shannon Jones, SILCK

Terry Forsyth, KNEA

Ron Hein, Kansas Restaurant and Hospitality Industry

Alan Cobb, Americans for Prosperity

Others attending:

See attached list.

To read testimony submitted by conferees go to

<http://skyways.lib.ks.us/government/KansasSenateCommerceCommittee>.

**SB 525--Kansas investments in major products and comprehensive training act (IMPACT)****SB 466--Graduated increase in Kansas minimum wage**

Chairperson Brownlee introduced Mike Michaels, Vice President, KEDA to give a short presentation. Mr. Michaels stated he had other board members in the audience today and introduced them to the Committee. Mr. Michaels presented written testimony (Attachment 1) which can be found in its entirety on the link listed above. Chairperson Brownlee called for questions, being none, she thanked Mr. Michaels for coming and letting the Committee know about his organization.

Chairperson Brownlee called the Committee's attention to **SB 525** and stated they would work that bill and asked if anyone had questions on the bill or amendments. Chairperson Brownlee called on Jennifer Thierer, Legislative Research, to explain her memo (Attachment 2) regarding the interest generated by the fund. Ms. Thierer stated that the interest generated goes back to the State General Fund and any unused moneys also goes back to the State General Fund.

A discussion followed regarding the fiscal note. The Committee has concerns with the fiscal note. Chairperson Brownlee called on Secretary Kerr, Department of Commerce, for his explanation of the fiscal note. He stated it was his understanding that technically there is no fiscal note because the 2% is allocated or is designated. He went on to say there will be a cash flow impact of \$24 Million. The Committee decided they needed a new updated fiscal note on the bill. The interest on the money was also discussed regarding who gets that. Chairperson Brownlee stated they can move forward but will need more clarity on the fiscal note. Jennifer Thierer, Legislative Research, stated she would try to get a new fiscal note on the bill.

CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 8:30 A.M. on February 19, 2008 in Room 123-S of the Capitol.

**Senator Schodorf made a motion to move the bill out favorably. Senator Kelly seconded. Motion carried.**

Chairperson Brownlee called the Committee's attention to **SB 466** and called on Jason Long, Revisors Office, to explain the bill. Mr. Long stated the bill repeals the existing state minimum wage limits. The bill would keep the state minimum wage in line with the federal minimum wage.

Chairperson Brownlee opened the hearing on **SB 466** and introduced Senator Roger Reitz to give his testimony as a proponent of the bill. Senator Reitz presented written testimony (Attachment 3) which can be found in its entirety on the link listed on page 1 of these minutes.

Chairperson Brownlee stated that Secretary Garner was to testify next but was ill and referred the Committee to his written testimony (Attachment 4) as a proponent of **SB 466**. which can be found in its entirety on the link listed on page 1 of these minutes. Secretary Garner also included in his testimony, an *Overview of Federal and State Minimum Wage Laws*.

There was a short discussion with the Committee regarding information found in Secretary Garner's testimony. Meg Neimier, Director of Communications, Department of Labor, joined the discussion answering the questions of the Committee regarding the number of people in Kansas making less than the federal minimum wage. It was noted that the information came from a 2006 survey and is the latest data that the Department of Labor has on minimum wage. At the time it was taken the federal minimum wage was \$5.15. The Committee asked if it would be possible to get factual based data instead of survey based data. Ms. Nemier stated she would check into that.

Upon the completion of the discussion, Chairperson Brownlee stated she would hold the rest of the questions until all the proponents finish with their testimonies.

Chairperson Brownlee introduced Bob Newsome, Riley County Board of Commissioners, to give his testimony as a proponent of **SB 466**. Mr. Newsome presented written testimony (Attachment 5) which can be found in its entirety on the link listed on page 1 of these minutes.

Chairperson Brownlee introduced Bishop Scott Jones, Kansas United Methodist Church, to give his testimony as a proponent of the bill. Bishop Jones presented written testimony (Attachment 6) which can be found in its entirety on the link listed on page 1 of these minutes.

Chairperson Brownlee introduced Sister Therese Bangert, Kansas Catholic Conference, to give her testimony as a proponent of **SB 466**. Sister Therese presented written testimony (Attachment 7) which can be found in its entirety on the link listed on page 1 of these minutes.

Chairperson Brownlee introduced Heidi Zeller, Kansas Action Network, to give her testimony as a proponent of the bill. Ms. Zeller presented written testimony (Attachment 8) which can be found in its entirety on the link shown on page 1 of these minutes.

Chairperson Brownlee introduced Jake Lowen, Wichita/Hutchinson Labor Federation of Central Kansas to give his testimony as a proponent of **SB 466**. Mr. Lowen presented written testimony (Attachment 9) which can be found in its entirety on the link shown on Page 1 of these minutes.

Chairperson Brownlee introduced Shannon Jones representing SILCK to give her testimony as a proponent of the bill. Ms. Jones presented written testimony (Attachment 10) which can be found in its entirety on the link shown on page 1 of these minutes.

Chairperson Brownlee introduced Terry Forsyth representing KNEA to give his testimony as a proponent of **SB 466**. Mr. Forsyth presented written testimony (Attachment 11) which can be found in its entirety on the link shown on page 1 of these minutes.

Chairperson Brownlee called the Committee's attention to the written only proponent testimony of Gregg

## CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 8:30 A.M. on February 19, 2008 in Room 123-S of the Capitol.

Jones, Southeast Kansas Independent Living ([Attachment 12](#)) which can be found in its entirety on the link listed on the Page 1 of these minutes.

Upon the conclusion of the proponent testimony, Chairperson Brownlee opened the floor for questions of the proponents. With no questions, Chairperson Brownlee introduced Ron Hein representing the Kansas Restaurant and Hospitality Industry, to give his testimony as an opponent of **SB 466**. Mr. Hein presented written testimony ([Attachment 13](#)) which can be found in its entirety on the link shown on page 1 of these minutes.

Chairperson Brownlee introduced Alan Cobb, Americans for Prosperity, to give his testimony as an opponent of the bill. Mr. Cobb presented written testimony ([Attachment 14](#)) which can be found in its entirety on the link shown on page 1 of these minutes.

Upon the conclusion of the testimony of the opponents, Chairperson Brownlee called the Committee's attention to the written only opponent testimony of Dr. Art Hall, Kansas University ([Attachment 15](#)) which can be found in its entirety on the link listed on page 1 of these minutes.

A short discussion followed regarding the minimum wage in other states and if the numbers are high enough to make an impact on the state.

Chairperson Brownlee closed the hearing on **SB 466** and adjourned the meeting at 9:30 a.m. with the next meeting scheduled for February 20, 2008 at 8:30 a.m. in room 123 S.

# Senate Commerce Committee

## Guest List

Date: February 19, 2008

Sister Helene Ruddle	Kan. RTW
MARK BOZANYAK	CAPITOL STRATEGIES
Bob Newsome	Riley County Commissioner
Emily Guier	HLVF
Jay Kanner	CAREER GROUP
Donna Schwick	Washburn University
Molly Ismert	Washburn University
MARK TURNBULL	CITY OF PITTSBURG
Shannon Jones	SICK R
Istan Ahlerk	Kan. J. -
Sue Lomen	Wichita AFL-CIO
Andy Sarsch	KS AFL-CIO
Mike Zecat	GBBA
Billy Kuehl	DOB
A Thereso Banzet	Ks. Cath. Conf.
Bud Burke	Issues Mgmt. Platte Chamber
Linda Yohon	RTS /
SHAWA ATKINS	Nex-Tech
Joann Knight	KEDA / Dodge City Eco Dev.
TRACY FOXS	KNEA
Ken Eckles	O.P. Chamber of Commerce
Ron Heig	KS Restaurant + Hospital
MIKE MITCHELLS	KEDA
Maxine Coppel	KAN - RTW
Sister Ann Catherine	KAN RTW

Chairman

Chamber

KS Soc.





Kansas Economic Development Alliance

Encourages the Kansas Legislature to take the following action:

1. Endorse program enhancements recommended by the Kansas Department of Commerce and the Kansas Department of Revenue.
  - a. Modify the IMPACT Act to utilize the program more fully to meet the needs of Kansas companies, as well as remain competitive in recruitment and retention efforts .
    - i. Convert from debt service to cash thereby maximizing investment value to the State and to businesses.
    - ii. Eliminate 95% withholding limit.
    - iii. Set targets for rural and small business opportunities.
    - iv. Allow unallocated funds to carry over.
  - b. Streamline and simplify investment and job creation tax credit programs.
    - i. Simplify qualified investment calculation
    - ii. Repeal: Enterprise Zone incentives, High Performance Incentive Program, and Business and Job Development credits.
    - iii. Introduce legislation to create Opportunity Zones, Investment credits, and Job Creation credits.
  - c. Allow monetization of economic development tax credits.
  - d. Clarify statutes to allow use of tax credits across corporate entities.
2. Develop a program that will encourage people to relocate to Kansas. This could include assistance with relocation costs, affordable housing, childcare, and tax breaks for individuals moving to rural Kansas and/or incentives for firms in Kansas to increase wages, benefits, and services to entice families to relocate to Kansas.
3. Develop a balanced energy policy to insure a reliable, low-cost supply of energy for residential and business needs utilizing both fossil fuels and renewable sources.
4. Continue aggressive promotion and branding of Kansas.
5. Increase the amount of Economic Development Initiatives Fund money (lottery dollars) provided to the Kansas Department of Commerce to improve the competitiveness of the state in business retention and development.
6. Develop a statewide comprehensive housing plan that includes incentives for workforce housing.
7. Develop incentives to encourage renewable resource technologies and energy conservation.
8. Leverage Kansas' position as a farm belt state and the major animal health, plant health and bio-energy research within it to attract bioscience industries drawn to available land and a talented workforce.

Senate Commerce Committee  
February 19, 2008

Attachment 1-1



Testimony before the Senate Commerce Committee

February 19, 2008

Madam Chair, Mr. Chair, and Commerce Committee members, thank you for allowing us to testify before you today. I am Mike Michaelis, a Vice President of the Kansas Economic Development Alliance, better known as KEDA. With me today are several members of the board (introductions).

For those of you not familiar with our group, let me tell you that KEDA is a state-wide organization whose membership is open to all individuals whose professional background and primary interests and activities are dedicated to economic development on behalf of the state of Kansas. The Board of Directors has statewide representation and is composed of eleven (11) members, which includes the Secretary of the Kansas Department of Commerce (KDOC) or an appropriate division director designated by the Secretary of the Kansas Department of Commerce to serve on the Board.

The purpose of KEDA is to assure a continued healthy economy for the state of Kansas. We do this by:

- Encouraging the expansion of employment opportunities and a broadening of the tax base
- Expanding existing industry and attracting new industry to the state
- Improving the quality and the practice of economic development as well as professional and ethical conduct
- Enhancing the competence of those engaged in economic development through educational programs
- Championing legislative action which will enhance the attractiveness and competitive position of the state of Kansas as a location for new and existing business

Each year, KEDA brings membership together for a day in the Capital to educate membership and inform legislators about issues affecting economic development activities across the state. In the material you have before you, we have included a position paper that explains some of the issues we feel are important to economic development efforts in the state. Let me briefly touch on each of those listed.

1. We endorse program enhancements recommended by the Kansas Department of Commerce and the Kansas Department of Revenue. Senate bills 525 and 497 will make some of the changes we would like and would support. Not only will these bills make the state more competitive in recruitment and retention efforts, but they will also better utilize the money available to make a difference. The only changes we would recommend to the bills would be a lower threshold for capital investments from the proposed \$300,000 to \$50,000. This change would increase the likelihood that the program could be used effectively to promote economic activity in rural Kansas as well as in micropolitan and metropolitan areas while at the same time promoting entrepreneurship and the growth of small business and large alike.
2. As most of you know, much of Kansas has a strong economy but at the same time, much of Kansas is experiencing a labor shortage. We urge you to be creative and find ways to encourage people to move to Kansas so they can share in our great way of life, strengthen our economy, and fill the jobs available in Kansas. We suggest programs that could include assistance with relocation costs, affordable workforce housing, childcare, and tax breaks for individuals moving to rural Kansas and/or incentives for firms in Kansas to increase wages, benefits, and services to entice families to relocate to Kansas.
3. We urge you to develop a balanced energy policy to insure a reliable, low-cost supply of energy for residential and business needs utilizing both fossil fuels and renewable sources. We ask this not only for security of our citizens, but for the future recruiting efforts of The Kansas Department of Commerce and every Economic Development Organization across the state. Unclear policies equate to an unfriendly label tagged on the state by site selectors and consultants looking for a place to locate expanding or relocating firms.
4. We want to see a continued effort to aggressively promote and brand the State of Kansas. This effort aids not only in the recruitment of businesses but potential employees as well.
5. We ask that you increase the amount of Economic Development Initiatives Fund money (lottery dollars) provided to the Kansas Department of Commerce to improve the competitiveness of the state in business retention and development.
6. We would like to see you develop a statewide comprehensive housing plan that includes incentives for workforce housing. This is another way to increase the number of employees coming to the state to fill jobs.
7. We would also like to see you develop incentives to encourage renewable resource technologies and energy conservation.
8. And finally, we would urge that you leverage Kansas' position as a farm belt state and the major animal health, plant health and bio-energy research within it to attract bioscience industries drawn to available land and a talented workforce. Look for opportunities outside the research areas near research institutions and metropolitan areas. Include the entire state.



Although I know you took testimony for Senate Bill 453 last week and it is not listed on our official position paper, I would like to mention that while this bill has created much discussion among members of many Economic Development Organizations, our membership, much like wKREDA that you heard from last week, has not reached a consensus on this bill. In its original form, our members find it hard to determine what the real intent is and the outcome of the bill will be. The concept is good, but it appears to be too vague to implement with any certainty.

Personally, I would like to see you follow recommendations from Kansas Small Business Development, Network Kansas, The Kansas Department of Commerce, and Kansas Inc. rather than leave the bill as it is written.

In conclusion, let me say we would be happy to take any questions you may have and to again thank you for allowing KEDA to present our views on these important issues to you today.

# KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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February 12, 2008

**To:** Senate Committee on Commerce  
**From:** Jennifer Thierer, Legislative Intern  
**Re:** SB 525

Numerous questions about SB 525 were raised by the Committee during its hearing on the bill. Below are brief answers to those questions.

**How much IMPACT money has been sent back to the State General Fund? In what fiscal years did this happen?**

Money not spent by the IMPACT program is not really sent back to the State General Fund because it never really left. Rather than transferring money to separate accounts for each department and division that has money appropriated to it by the State Legislature, the money stays in one account until it is ready to be used. Then, as the Department of Commerce uses the money allocated, payments are made from the money still sitting in the State General Fund. Any money unused at the end of the fiscal year stays in the account for re-allocation by the Legislature. The attached chart shows how much of the money allocated to IMPACT remained unused at the end of each of the last five fiscal years.

**If all the money allocated to a program is not spent in a given year, is the money carried over invested? If so, who gets the interest?**

Money in the State General Fund is invested and earns interest. Since IMPACT funds are currently lumped in with all other State funds, interest earned on unpledged IMPACT money stays in the State General Fund, as required by KSA 75-4210a. IMPACT does receive any interest that is earned on money pledged to service bonds issued by the program, but that interest must go into funds specifically for debt service. According to the Division of Budget, SB 525 could be amended to allow the interest earned on unused IMPACT funds to be retained by the program, if the Committee so desired. Language for such an amendment could read:

On or before the 10th of each month, the director of accounts and reports shall transfer from the state general fund to the IMPACT fund interest earnings based on:

- (a) The average daily balance of moneys in the property contingency fund for the preceding month; and
- (b) The net earnings rate for the pooled money investment portfolio for the preceding month.

**How much total Department of Commerce debt exists?**

**Gross Debt Service Requirements**

FY ended June 30 <sup>th</sup>	Series 1998V Bonds	Series 1999E Bonds	Series 2001M Bonds	Series 2005N Bonds	Series 2007F Bonds	Total Debt Service
2008	\$ 1,574,230	\$ 4,234,613	\$ 4,345,250	\$ 3,378,405	\$ 4,446,970	\$ 17,979,468
2009		4,237,762	4,346,500	3,380,905	4,446,800	16,411,967
2010			4,343,750	3,380,255	4,443,000	12,167,005
2011			4,341,750	3,383,055	4,444,600	12,169,405
2012				3,379,455	4,446,200	7,825,655
2013				3,382,510	4,446,150	7,828,660
2014				3,380,000	4,442,200	7,822,200
2015				3,380,000	4,441,700	7,821,700
2016					4,443,700	4,443,700
2017					4,443,000	4,443,000
<b>Totals</b>	<u>\$ 1,574,230</u>	<u>\$ 8,472,375</u>	<u>\$ 17,377,250</u>	<u>\$ 27,044,585</u>	<u>\$ 44,444,320</u>	<u>\$ 98,912,760</u>

**What are the statistics from the IMPACT program for the past five years?**

According to the attached chart provided by the Department of Commerce, the amount of funds allocated by the IMPACT program has varied over the past five fiscal years with a high of \$31,421,000 in FY 2006 and a low of \$4,806,785 in FY 2003. The attached chart breaks these totals down by the city the project was located in, how many jobs were affected, whether those jobs were new, retained or a combination, and the average wage per project.

Enclosures

### Unused Capacity

<u>FY ended June 30th</u>	<u>2% Withholdings Available</u>	<u>Actual Debt Service Paid</u>	<u>Estimated Program Services Fees</u>	<u>Unused</u>
2003	\$ 15,383,000.00	(\$10,748,216.00)	(600,000.00)	\$ 4,034,784.00
2004	\$ 23,766,735.00	(\$7,542,333.75)	(600,000.00)	\$ 15,624,401.25
2005	\$ 25,627,500.00	(\$11,242,872.50)	(600,000.00)	\$ 13,784,627.50
2006	\$ 37,436,000.00	(\$14,625,937.00)	(800,000.00)	\$ 22,010,063.00
2007	\$ 39,308,000.00	(\$13,538,637.50)	(1,100,000.00)	\$ 24,669,362.50

NHP 02/07/08

Kansas Dept of Commerce

IMPACT FY03-07

FY	County	City	Award	EmplTrainees	Jobs	AvgTraineeWage
03	COWLEY	Winfield	\$250,000	150	New	\$13.26
03	DOUGLAS	Eudora	\$307,767	22	New	\$11.78
03	JOHNSON	Leawood	\$325,000	73	New	\$64.90
03	JOHNSON	Lenexa	\$154,899	90	New	\$17.76
03	JOHNSON	Lenexa	\$505,000	184	New	\$18.15
03	JOHNSON	Lenexa	\$434,119	341	New	\$10.40
03	JOHNSON	Overland Park	\$1,980,000	492	New	\$19.93
03	JOHNSON	Lenexa	\$400,000	175	New	\$13.36
03	McPHERSON	McPherson	\$450,000	137	New	\$17.11
Total			\$4,806,785	1664		
04	COWLEY	Arkansas City	\$910,000	630	New	\$14.22
04	JOHNSON	Leawood	\$2,700,000	540	New	\$29.60
04	JOHNSON	Overland Park	\$400,000	209	New	\$14.23
04	JOHNSON	Westwood	\$250,000	113	New	\$21.02
04	RILEY	Manhattan	\$500,000	250	New	\$11.84
04	SEDGWICK	Wichita	\$615,000	530	New	\$15.48
Total			\$5,375,000	2272		
05	JOHNSON	Olathe	\$500,000	351	New	\$21.36
05	JOHNSON	Olathe	\$725,000	361	New	\$14.46
05	JOHNSON	Overland Park	\$120,000	76	New	\$35.92
05	JOHNSON	Shawnee	\$950,000	221	New	\$27.17
05	JOHNSON	Lenexa	\$550,000	272	New	\$19.92
05	SEDGWICK	Wichita	\$1,000,000	620	New	\$15.10
05	SEDGWICK	Wichita	\$1,500,000	208	New	\$50.50
05	SHAWNEE	Topeka	\$620,000	620	New	\$13.01
05	WYANDOTTE	Kansas City	\$4,000,000	2900	Existing	\$27.84
Total			\$9,965,000	5629		
06	ELLIS	Hays	\$385,000	425	New	\$7.87
06	JOHNSON	Overland Park	\$3,861,000	792	New	\$42.51
06	JOHNSON	Overland Park	\$8,250,000	1799	Retrained	\$30.43
06	JOHNSON	Overland Park	\$1,700,000	375	Retrained	\$26.77
06	JOHNSON	Overland Park	\$575,000	424	New	\$32.89
06	JOHNSON	Lenexa	\$625,000	125	New	\$34.01
06	JOHNSON	Overland Park	\$6,000,000	741	New	\$56.14
06	MONTGOMERY	Independence	\$875,000	500	New	\$11.83
06	SEDGWICK	Wichita	\$7,150,000	2410	Retrained	\$25.90
06	SEDGWICK	Wichita	\$1,000,000	944	New	\$9.45
06	WYANDOTTE	Kansas City	\$1,000,000	129	New	\$31.27
Total			\$31,421,000	8664		
07	COWLEY	Winfield	\$433,643	300	New	\$13.94
07	DOUGLAS	Lawrence	\$325,000	440	New	\$11.25
07	JOHNSON	Overland Park	\$750,000	267	New	\$19.22
07	JOHNSON	Overland Park	\$1,750,000	850	New	\$16.54
07	JOHNSON	Olathe	\$2,650,000	484	New	\$15.50
07	JOHNSON	Overland Park	\$6,555,888	531	Combination	\$46.07
07	JOHNSON	Olathe	\$250,000	150	New	\$13.46
07	RILEY	Manhattan	\$250,000	122	Retrained	\$14.31
07	SEDGWICK	Wichita	\$2,157,355	1144	Retrained	\$38.60
07	WYANDOTTE	Kansas City	\$300,000	176	New	\$13.08
Total			\$15,421,886	4464		

2-4

STATE OF KANSAS

ROGER REITZ

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TOPEKA

SENATE

COMMITTEE ASSIGNMENTS

MEMBER: COMMERCE  
ELECTIONS AND LOCAL GOVERNMENT  
FEDERAL AND STATE AFFAIRS  
UTILITIES

Kansas has a minimum wage of \$2.65 an hour, which ranks last in the United States. Seventeen thousand Kansans are paid at this wage, an egregious embarrassment. The minimum wage came of age in 1938 and was initially \$.25/hour. My first job in 1943 was pegged at that rate. The \$2.65 rate was established in the early 1980's and obviously hasn't moved since. All of our surrounding states have significantly higher rates. The next closest are Nebraska and Oklahoma at \$5.85/hour. Many states, Iowa is one of them, have a higher minimum wage than that required by national law.

This bill addresses the service business sector regarding tips allowing 40% of the wage reduced to allow for money made with gratuities. For a 40-hour week the wage presently is \$106 and 40% applied, makes a business outlay of \$64.60 per week in salary. The comparable amount at present of the Federal minimum wage would be \$140.40/week.

It seems strange to me that we continue to allow this disparity. Last year we did not vote this bill out of the committee. The Riley County Commission has asked me to address this conundrum which I feel motivated to do. This issue has profound negative social implications and Kansas is better than that. The time has come to make a statement of fairness to all of our work force.

Roger P. Reitz M.D.  
Senator District 22

A handwritten signature in blue ink, appearing to read "Roger P. Reitz".

Senate Commerce Committee  
February 19, 2008

Attachment 3-1

**Testimony in Support of 2008 Senate Bill 466**  
**Senate Commerce Committee**  
**Jim Garner, Secretary**  
**Kansas Department of Labor**  
**19 February 2008**

Chairpersons Brownlee and Jordan and Members of the Committee:

Thank you for this opportunity to appear and share some general information about state minimum wage laws and also to share my support for Senate Bill 466.

Senate Bill 466 would bring the Kansas minimum wage in line with the federal minimum wage. It would also keep the language of current law allowing employers in food services to include tips in accounting for up to 40% of minimum wage paid to servers.

You will find accompanying my testimony is a copy of "An Overview of Federal and State Minimum Wage Laws." This is a report prepared annually by KDOL's Labor Market Information Services Division. The report provides general information on the history of the federal minimum wage law, the history of the Kansas minimum wage law and information on other states minimum wage laws. Also, the report includes information compiled by the US Bureau of Labor Statistics which estimates the number of people working at or below the federal minimum wage rates in each state. The BLS numbers indicate that for 2006, Kansas had 17,000 workers earning less than the federal rate of \$5.15 per hour and 6,000 workers at the \$5.15 rate.

Kansas has the lowest state minimum wage in the nation at \$2.65 per hour (unchanged since 1988). Our rate is even lower than the rates in the US Territories of Guam, Puerto Rico and the Virgin Islands (see map on page 5 of the accompanying report).

While it may be said that this state minimum wage affects a small number of workers in Kansas, it remains an embarrassing reflection. We proclaim our support for work and the work ethic. It is important that we invest in the things we say we value. That is why I support SB 466 and bringing the state minimum wage on par with the federal rate.

Senate Bill 466 would bring the Kansas minimum wage to the same level as our neighbors in Nebraska and Oklahoma. Missouri, Arkansas, Iowa and Colorado have minimum wage laws exceeding the federal rate.

Thank you for the opportunity to share this information and my words of support for SB 466. I hope you find the general background information in the accompanying report helpful as you deliberate on this issue.

Senate Commerce Committee  
*February 19, 2008*  
Attachment 4-1

# **An Overview of Federal and State Minimum Wage Laws**

Senate Commerce Committee  
February 19, 2008

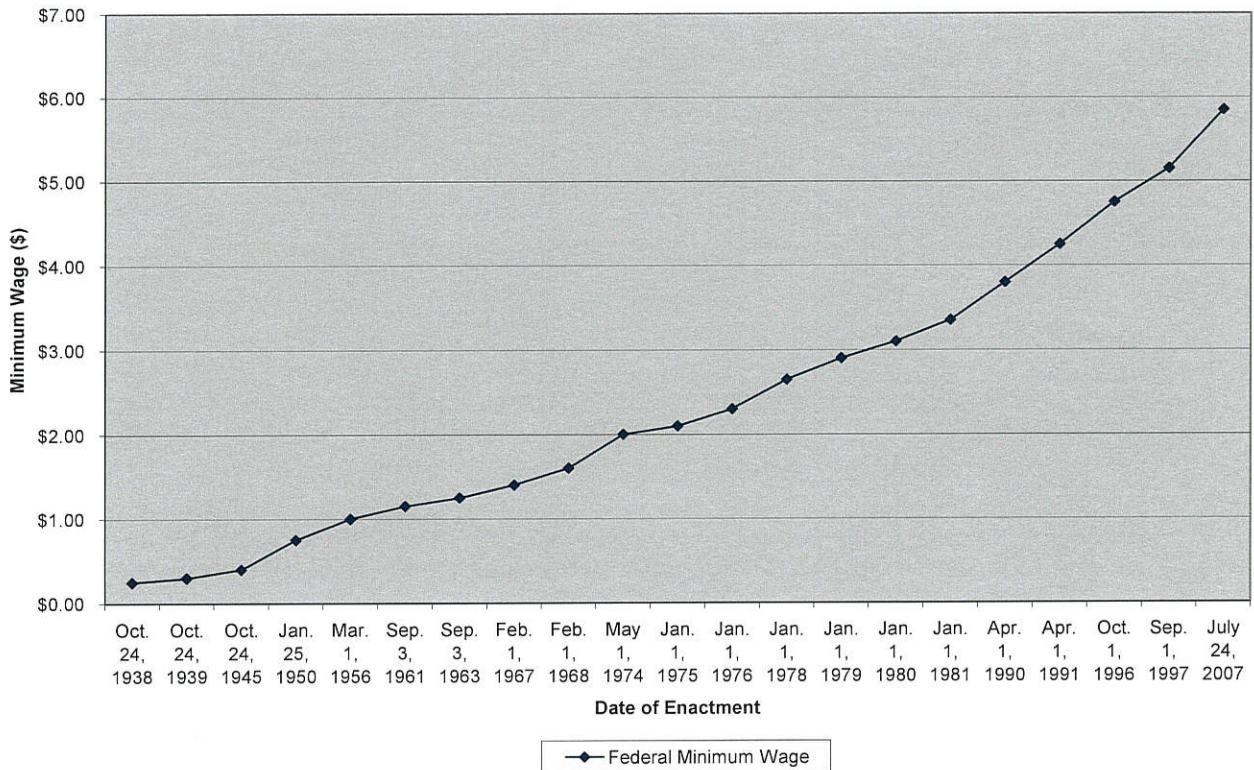
Attachment 4-2



The 1938 Fair Labor Standards Act established the minimum wage to be paid to workers. Both the coverage and the minimum wage were expanded in later years to include a broad range of industries. Since establishing \$0.25 as the minimum wage in 1938, the United States Congress and Presidents have increased the minimum wage on several occasions. Figure 1 below charts the increases in the federal minimum wage. The current minimum wage of \$5.85 an hour was enacted on July 24, 2007.

Figure 1

Federal Minimum Wage



A complete description of federal legal coverage can be found in 29 CFR 510-794. The following is taken from the Fair Labor Standards Act of 1938, As Amended.

"The Act applies to enterprises with employees who engage in interstate commerce, produce goods for interstate commerce, or handle, sell or work on goods or materials that have been moved in or produced for interstate commerce. For most firms, a test of not less than \$500,000 in annual dollar volume of business applies (i.e., the Act does not cover enterprises with less than this amount of business). However, the Act does cover the following regardless of their dollar volume of business: hospitals; institutions primarily engaged in the care of the sick, aged, mentally ill, or disabled who reside on the premises; schools for children who are mentally, or physically

disabled or gifted; preschools, elementary, and secondary schools and institutions of higher education; and federal, state, and local government agencies."

"Employees of firms that do not meet the \$500,000 annual dollar volume test may be covered in any workweek when they are individually engaged in interstate commerce, the production of goods for interstate commerce, or an activity that is closely related and directly essential to the production of such goods. The Act covers domestic service workers, such as day workers, housekeepers, chauffeurs, cooks, or full-time babysitters, if they receive at least \$1,300 (2001) in cash wages from one employer in a calendar year, or if they work a total of more than eight hours a week for one or more employers."

According to the U.S. Department of Labor, in 2006 there were approximately 1,283,000 working below the prevailing federal minimum wage and an additional 409,000 working at the prevailing federal minimum wage. The total number of workers paid hourly during this time period was 76,514,000. Table 1 in Appendix 1 at the end highlights some of the characteristics of these workers. Individuals receiving wages below federal minimum wages may fall under the exceptions established under the Fair Labor Standard Act, which excludes certain industries and workers.

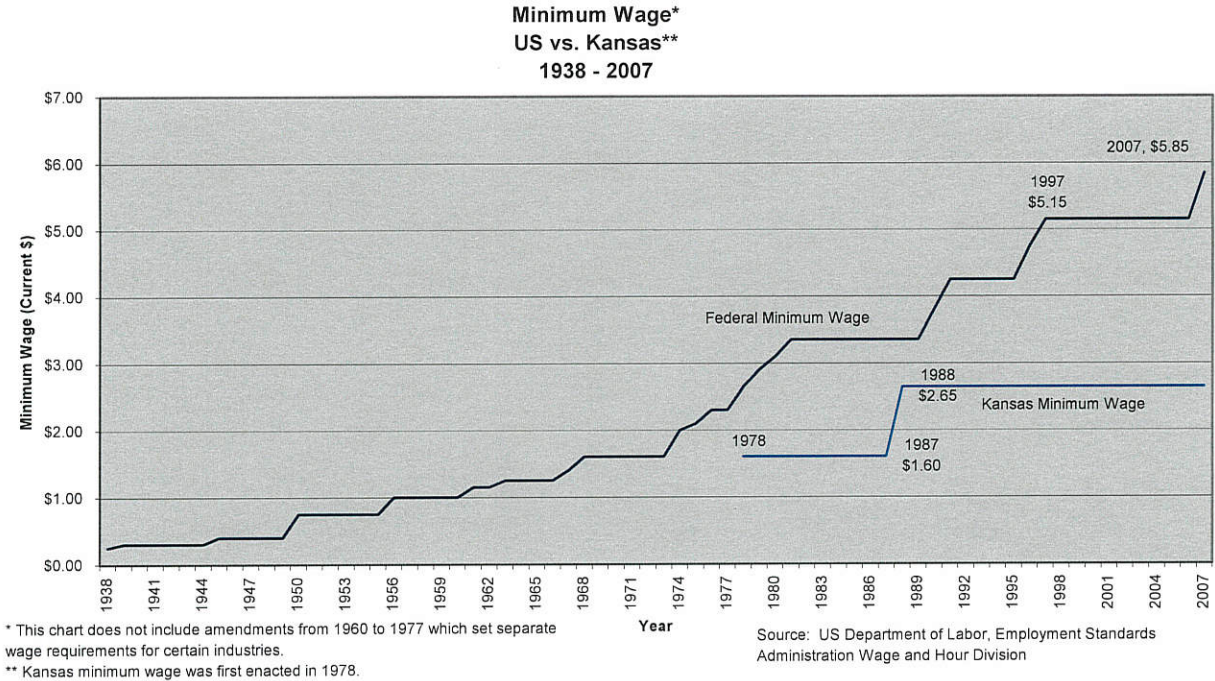
### **Minimum Wage in Kansas**

The Kansas minimum wage was first adopted in 1978 and set at \$1.60 per hour. In 1988, the state minimum was increased to and remains at \$2.65 per hour. The legal basis for the statute is contained in K.S.A. 44-1201 and K.S.A. 44-1203.

"K.S.A. 44-1203(a) Except as otherwise provided in the minimum wage and maximum hours law, every employer shall pay to each employee wages at a rate of not less than \$2.65 an hour. In calculating such minimum wage rate, an employer may include tips and gratuities received by an employee in an amount equal to not more than 40% of the minimum wage rate if such tips and gratuities have customarily constituted part of the remuneration of the employee and if the employee concerned actually received and retained such tips and gratuities. The secretary shall require each employer desiring approval of an allowance for gratuities to provide substantial evidence of the amounts of such gratuities on account of which the employer has taken an allowance pursuant to this section. (b) The provisions of this section shall not apply to any employers and employees who are covered under the provisions of section 6 of the fair labor standards act of 1938 as amended (29 U.S.C.A. 206), and as amended by the fair labor standards amendments of 1974 and any other acts amendatory thereof or supplemental thereto."

Figure 2 compares the minimum wage history for the United States and Kansas. Currently, Kansas is one of three states with a state minimum wage lower than the federal minimum wage.

Figure 2



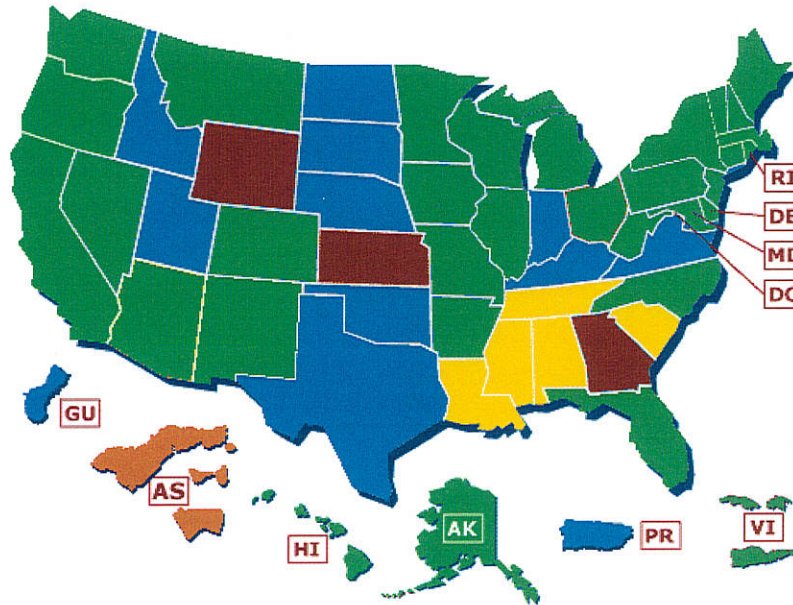
In 2006, there were approximately 17,000 Kansas workers who were paid below the federal minimum wage of \$5.15 per hour (the federal minimum wage at the time) and approximately 6,000 paid at the federal minimum wage level. Table 2 in Appendix 1 lists these numbers for other states.

### Minimum wage in other states

Minimum wage laws and its applications vary from state to state. Currently there are several states which have a state minimum wage higher than the federal minimum wage. Some larger cities have also enacted citywide minimum wage laws, separate from federal and state laws.

As of January 1, 2008, there were 32 states with a state minimum wage higher than the federal minimum wage. There were 10 states with a state minimum wage and federal minimum wage that were the same. Five states do not have minimum wage laws and three have state minimum wages lower than the federal minimum wage. Kansas is one of these states. See Figure 3.

Figure 3



- States with minimum wage rates higher than the Federal
- States with minimum wage rates the same as the Federal
- American Samoa has [special minimum wage rates](#)
- States with no minimum wage law
- States with minimum wage rates lower than the Federal

The coverage, application and level of minimum wage are different among states. Some states apply minimum wage to all workers, regardless of whether or not they work in any specified industries or whether or not they earn gratuity. Some states have different minimum wage requirements for ‘small’ and ‘large’ employers. There are varying amounts of gratuity credits which are allowed against minimum wage. Table 3 in Appendix 1 highlights some of these arrangements among various states.

Several states have tied their minimum wage with the federal minimum wage, using some additional dollar or percentage amount. For example, in Connecticut the state minimum wage rate automatically increases one-half of one percent above the rate set by the Fair Labor Standards Act if the federal minimum wage rate equals or becomes higher than the state minimum.

Four states – Florida, Oregon, Vermont and Washington - have their minimum wage indexed to some form of inflationary measure. Other states with recent minimum wage propositions listed in Table 4 have also proposed this method of indexing.

**2008 Changes in State Minimum Wage Laws**

Several states have approved changes in minimum wage laws which have been implemented or will be implemented in the near future as listed in Table 4 below.

Table 4

<b>DISTRICT OF COLUMBIA</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$7.00
	7/24/2008	\$7.55
In the District of Columbia, the rate is automatically set at \$1 above the Federal minimum wage rate if the District of Columbia rate is lower.		
<b>IDAHO</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$5.85
	7/24/2008	\$6.55
	7/24/2009	\$7.25
<b>ILLINOIS</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$7.50
	7/1/2008	\$7.75
	7/1/2009	\$8.00
	7/1/2010	\$8.25
<b>INDIANA</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$5.85
	7/24/2008	\$6.55
	7/24/2009	\$7.25
<b>KENTUCKY</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$5.85
	7/1/2008	\$6.55
	7/1/2009	\$7.25

<b>MAINE</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$7.00
	7/24/2009	\$7.25
<b>MARYLAND</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$6.15
	7/24/2008	\$6.55
	7/24/2009	\$7.25
The Maryland minimum wage is automatically replaced with the Federal minimum wage rate if it is higher than the State minimum wage rate.		
<b>MICHIGAN</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$7.15
	7/1/2008	\$7.40
<b>MONTANA</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$6.25
	7/24/2008	\$6.55
<b>NEBRASKA</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$5.85
	7/24/2008	\$6.55
	7/24/2009	\$7.25
<b>NEW HAMPSHIRE</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$6.50
	9/1/2008	\$7.25
The New Hampshire minimum wage is automatically replaced with the Federal minimum wage rate if it is higher than the State minimum.		

<b>NEW JERSEY</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$7.15
	7/24/2009	\$7.25
<b>NEW MEXICO</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$6.50
	1/1/2009	\$7.50
<b>NEW YORK</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$7.15
	7/24/2009	\$7.25
The New York minimum wage is automatically replaced with the Federal minimum wage rate if it is higher than the State minimum.		
<b>NORTH CAROLINA</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$6.15
	7/24/2008	\$6.55
	7/24/2009	\$7.25
<b>NORTH DAKOTA</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$5.85
	7/24/2008	\$6.55
	7/24/2009	\$7.25
<b>OKLAHOMA</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$5.85
	7/24/2008	\$6.55
	7/24/2009	\$7.25
<b>PENNSYLVANIA</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$7.15
	July 2009	\$7.25

<b>SOUTH DAKOTA</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$5.85
	7/24/2008	\$6.55
		\$7.25
	7/24/2009	
<b>TEXAS</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$5.85
	7/24/2008	\$6.55
		\$7.25
	7/24/2009	
<b>UTAH</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$5.85
	7/24/2008	\$6.55
		\$7.25
	7/24/2009	
<b>VIRGINIA</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$5.85
	7/24/2008	\$6.55
		\$7.25
	7/24/2009	
<b>WEST VIRGINIA</b>	<b>Future</b>	<b>Basic</b>
	<b>Effective</b>	<b>Minimum Rate</b>
	<b>Date</b>	<b>(per hour)</b>
		\$6.55
	7/1/2008	\$7.25



Appendix 1 - Table 1

**Employed wage and salary workers paid hourly rates with earnings at or below the prevailing Federal minimum wage by selected characteristics, 2006 annual averages**

Characteristic	Number of workers (in thousands)				Percent distribution				Percent of workers paid hourly rates At or below \$5.15 per hour		
	Total paid hourly rates	At or below \$5.15 per hour		Total paid hourly rates	At or below \$5.15 per hour		Total	At or below \$5.15 per hour			
		Total	At \$5.15		Below \$5.15	At \$5.15		Below \$5.15	At \$5.15	Below \$5.15	
<b>AGE AND SEX</b>											
<b>Total, 16 years and over</b>	76,514	1,692	409	1,283	100	100	100	100	2.2	0.5	1.7
16 to 24 years	16,649	866	247	619	21.8	51.2	60.4	48.2	5.2	1.5	3.7
16 to 19 years	5,687	436	165	271	7.4	25.8	40.3	21.1	7.7	2.9	4.8
25 years and over	59,865	826	162	664	78.2	48.8	39.6	51.8	1.4	0.3	1.1
<b>Men, 16 years and over</b>	38,193	568	146	422	49.9	33.6	35.7	32.9	1.5	0.4	1.1
16 to 24 years	8,583	296	98	198	11.2	17.5	24	15.4	3.4	1.1	2.3
16 to 19 years	2,796	157	71	86	3.7	9.3	17.4	6.7	5.6	2.5	3.1
25 years and over	29,609	273	49	224	38.7	16.1	12	17.5	0.9	0.2	0.8
<b>Women, 16 years and over</b>	38,321	1,124	263	861	50.1	66.4	64.3	67.1	2.9	0.7	2.2
16 to 24 years	8,065	570	149	421	10.5	33.7	36.4	32.8	7.1	1.8	5.2
16 to 19 years	2,890	279	94	185	3.8	16.5	23	14.4	9.7	3.3	6.4
25 years and over	30,256	554	114	440	39.5	32.7	27.9	34.3	1.8	0.4	1.5
<b>RACE, SEX, AND HISPANIC OR LATINO ETHNICITY</b>											
<u>White (1)</u>	61,907	1,434	329	1,105	80.9	84.8	80.4	86.1	2.3	0.5	1.8
Men	31,403	469	115	354	41	27.7	28.1	27.6	1.5	0.4	1.1
Women	30,504	966	215	751	39.9	57.1	52.6	58.5	3.2	0.7	2.5
<u>Black or African American (1)</u>	9,903	173	62	111	12.9	10.2	15.2	8.7	1.7	0.6	1.1
Men	4,485	68	28	40	5.9	4	6.8	3.1	1.5	0.6	0.9
Women	5,419	106	34	72	7.1	6.3	8.3	5.6	2	0.6	1.3
<u>Asian (1)</u>	2,654	38	8	30	3.5	2.2	2	2.3	1.4	0.3	1.1
Men	1,259	14	1	13	1.6	0.8	0.2	1	1.1	0.1	1
Women	1,395	24	7	17	1.8	1.4	1.7	1.3	1.7	0.5	1.2
<u>Hispanic or Latino (1)</u>	13,121	223	68	155	17.1	13.2	16.6	12.1	1.7	0.5	1.2
Men	7,780	96	29	67	10.2	5.7	7.1	5.2	1.2	0.4	0.9
Women	5,341	128	40	88	7	7.6	9.8	6.9	2.4	0.7	1.6
<b>FULL- AND PART-TIME STATUS AND SEX</b>											
<u>Full-time workers (2)</u>	58,452	653	99	554	76.4	38.6	24.2	43.2	1.1	0.2	0.9
Men	32,477	248	35	213	42.4	14.7	8.6	16.6	0.8	0.1	0.7
Women	25,975	405	64	341	33.9	23.9	15.6	26.6	1.6	0.2	1.3
<u>Part-time workers (2)</u>	17,930	1,034	310	724	23.4	61.1	75.8	56.4	5.8	1.7	4
Men	5,652	317	112	205	7.4	18.7	27.4	16	5.6	2	3.6
Women	12,278	717	198	519	16	42.4	48.4	40.5	5.8	1.6	4.2

1 Detail for the race groups (white, black or African American, and Asian) will not sum to totals because data are not presented for all races. In addition, persons whose ethnicity is identified as Hispanic or Latino may be of any race and, therefore, are classified by ethnicity as well as race.

2 The distinction between full- and part-time workers is based on hours usually worked. These data will not sum to totals because full- or part-time status on the principal job is not identifiable for a small number of multiple jobholders.

NOTE: Data exclude all the self-employed, both unincorporated and incorporated.

Source: U.S. Bureau of Labor Statistics

Appendix 1  
Table 2

Employed wage and salary workers paid hourly rates with earnings at or below the prevailing Federal minimum wage by State, 2006 annual averages											
State	Number of workers				Percent distribution				Percent of workers paid hourly rates		
	Total paid hourly rates	(in thousands) At or below \$5.15 per hour			Total paid hourly rates	At or below \$5.15 per hour			Total	At or below \$5.15 per hour	
		Total	At \$5.15	Below \$5.15		Total	At \$5.15	Below \$5.15		At \$5.15	Below \$5.15
<b>Total, 16 years and over</b>	76,514	1,692	409	1,283	100	100	100	100	2.2	0.5	1.7
Alabama	1,202	43	13	30	1.6	2.5	3.2	2.3	3.6	1.1	2.5
Alaska	199	2	1	1	0.3	0.1	0.2	0.1	1	0.5	0.5
Arizona	1,589	53	12	41	2.1	3.1	2.9	3.2	3.3	0.8	2.6
Arkansas	699	26	12	14	0.9	1.5	2.9	1.1	3.7	1.7	2
California	8,562	60	10	50	11.2	3.5	2.4	3.9	0.7	0.1	0.6
Colorado	1,149	37	8	29	1.5	2.2	2	2.3	3.2	0.7	2.5
Connecticut	914	13	2	11	1.2	0.8	0.5	0.9	1.4	0.2	1.2
Delaware	231	6	1	5	0.3	0.4	0.2	0.4	2.6	0.4	2.2
District of Columbia	100	3	1	2	0.1	0.2	0.2	0.2	3	1	2
Florida	4,474	92	10	82	5.8	5.4	2.4	6.4	2.1	0.2	1.8
Georgia	2,127	55	5	50	2.8	3.3	1.2	3.9	2.6	0.2	2.4
Hawaii	347	4	1	3	0.4	0.2	0.2	0.2	1.2	0.3	0.9
Idaho	425	13	5	8	0.6	0.8	1.2	0.6	3.1	1.2	1.9
Illinois	3,251	76	14	62	4.2	4.5	3.4	4.8	2.3	0.4	1.9
Indiana	1,826	34	8	26	2.4	2	2	2	1.9	0.4	1.4
Iowa	941	21	3	18	1.2	1.2	0.7	1.4	2.2	0.3	1.9
Kansas	780	23	6	17	1	1.4	1.5	1.3	2.9	0.8	2.2
Kentucky	1,175	26	8	18	1.5	1.5	2	1.4	2.2	0.7	1.5
Louisiana	994	33	12	21	1.3	2	2.9	1.6	3.3	1.2	2.1
Maine	397	9	1	8	0.5	0.5	0.2	0.6	2.3	0.3	2
Maryland	1,316	22	1	21	1.7	1.3	0.2	1.6	1.7	0.1	1.6
Massachusetts	1,619	35	1	34	2.1	2.1	0.2	2.7	2.2	0.1	2.1
Michigan	2,830	72	16	56	3.7	4.3	3.9	4.4	2.5	0.6	2
Minnesota	1,569	13	3	10	2.1	0.8	0.7	0.8	0.8	0.2	0.6
Mississippi	652	19	10	9	0.9	1.1	2.4	0.7	2.9	1.5	1.4
Missouri	1,581	36	12	24	2.1	2.1	2.9	1.9	2.3	0.8	1.5
Montana	285	6	5	1	0.4	0.4	1.2	0.1	2.1	1.8	0.4
Nebraska	549	15	3	12	0.7	0.9	0.7	0.9	2.7	0.5	2.2
Nevada	730	15	11	4	1	0.9	2.7	0.3	2.1	1.5	0.5
New Hampshire	370	8	1	7	0.5	0.5	0.2	0.5	2.2	0.3	1.9
New Jersey	1,829	36	5	31	2.4	2.1	1.2	2.4	2	0.3	1.7
New Mexico	498	16	6	10	0.7	0.9	1.5	0.8	3.2	1.2	2
New York	4,166	67	11	56	5.4	4	2.7	4.4	1.6	0.3	1.3
North Carolina	2,246	52	12	40	2.9	3.1	2.9	3.1	2.3	0.5	1.8
North Dakota	187	6	2	4	0.2	0.4	0.5	0.3	3.2	1.1	2.1
Ohio	3,426	93	29	64	4.5	5.5	7.1	5	2.7	0.8	1.9

<b>Oklahoma</b>	869	30	10	20	1.1	1.8	2.4	1.6	3.5	1.2	2.3
<b>Oregon</b>	1,021	10	-	10	1.3	0.6	-	0.8	1	-	1
<b>Pennsylvania</b>	3,456	96	35	61	4.5	5.7	8.6	4.8	2.8	1	1.8
<b>Rhode Island</b>	321	7	-	7	0.4	0.4	-	0.5	2.2	-	2.2
<b>South Carolina</b>	1,076	33	4	29	1.4	2	1	2.3	3.1	0.4	2.7
<b>South Dakota</b>	243	6	2	4	0.3	0.4	0.5	0.3	2.5	0.8	1.6
<b>Tennessee</b>	1,616	49	16	33	2.1	2.9	3.9	2.6	3	1	2
<b>Texas</b>	5,724	173	52	121	7.5	10.2	12.7	9.4	3	0.9	2.1
<b>Utah</b>	724	17	4	13	0.9	1	1	1	2.3	0.6	1.8
<b>Vermont</b>	199	3	-	3	0.3	0.2	-	0.2	1.5	-	1.5
<b>Virginia</b>	1,840	51	10	41	2.4	3	2.4	3.2	2.8	0.5	2.2
<b>Washington</b>	1,795	23	2	21	2.3	1.4	0.5	1.6	1.3	0.1	1.2
<b>West Virginia</b>	463	14	7	7	0.6	0.8	1.7	0.5	3	1.5	1.5
<b>Wisconsin</b>	1,781	34	3	31	2.3	2	0.7	2.4	1.9	0.2	1.7
<b>Wyoming</b>	152	4	1	3	0.2	0.2	0.2	0.2	2.6	0.7	2

Source: U.S. Bureau of Labor Statistics

Table 2 Note: Data exclude all the self-employed, both unincorporated and incorporated. Users are reminded that these data are based on a sample and are therefore subject to sampling error; the degree of error may be quite large for less populous States. It is not possible to clearly determine whether workers surveyed in the CPS are actually covered by the Fair Labor Standards Act (FLSA) or by individual State minimum wage laws. Thus, some workers reported as earning an hourly wage of \$5.15 may not in fact be covered by Federal or State minimum wage laws. At the same time, the presence of a sizable number of workers with wages below the prevailing Federal minimum wage does not necessarily indicate violations of the FLSA or applicable State laws, because there are numerous exclusions and exemptions to these minimum wage statutes. Dash indicates no data or data that do not meet publication criteria.

Appendix 1  
Table 3

Table of Minimum Hourly Wages for Tipped Employees, by State

Jurisdiction	Future Effective Date	Basic Combined Cash & Tip Minimum Wage Rate	Maximum Tip Credit Against Minimum Wage	Minimum Cash Wage 1	Definition of Tipped Employee by Minimum Tips received (monthly unless otherwise specified)
<b>FEDERAL:</b> Fair Labor Standards Act (FLSA)		\$5.85	\$3.72	\$2.13	More than \$30
<b>STATE LAW DOES NOT ALLOW TIP CREDIT</b>					
Minimum rate same for tipped and non-tipped employees					
<b>Alaska</b>				\$7.15	
<b>California</b>				\$8.00	
<b>Guam</b>				\$5.75	
<b>Minnesota:</b>					
<a href="#">Large employer 2</a>				\$6.15	
<a href="#">Small employer 2</a>				\$5.25	
<b>Montana:</b>					
Business with gross annual sales over \$110,000				\$6.25	
Business with gross annual sales of \$110,000 or less				\$4.00	
<b>Nevada</b>				\$6.33	Without a qualified health plan
				\$5.30	With a qualified health plan provided
<b>Oregon</b>				<u>\$7.95</u>	
<b>Washington</b>				<u>\$8.07</u>	
Minimum rate lower for tipped employees than for non-tipped					
<b>New Mexico</b>		\$5.60	\$3.48	\$2.12	More than \$30
<a href="#">Puerto Rico 5</a>					
<b>STATE LAW ALLOWS TIP CREDIT</b>					
<b>Arizona</b>		\$6.90	\$3.00	\$3.90	Not specified
<b>Arkansas</b>		\$6.25	58%	42%	Not specified
<b>Colorado</b>		\$7.02	\$3.02	\$4.00	More than \$30
<b>Connecticut</b>		\$7.65	29.30%	\$5.41	At least \$10 weekly for full-time employees or \$2.00 daily for part-time in hotels and restaurants. Not specified for other industries.
<i>Beauty shop</i>			none	\$7.65	
<i>Hotel, restaurant</i>			\$2.24	\$5.41	
<i>Bartenders</i>			8.20%	\$7.02	
<i>Any other industry</i>			\$0.35	\$7.30	

<b>Delaware</b>		\$7.15	\$4.92	\$2.23	More than \$30
<b>District of Columbia</b>		\$7.00	\$4.23	\$2.77	Not specified
<b>Florida</b>		\$6.79	\$3.02	\$3.77	
<b>Hawaii</b>		\$7.25	\$0.25	\$7.00	More than \$20
(Tip Credit permissible if the combined amount the employee receives from the employer and in tips is at least 50 cents more than the applicable minimum wage)					
<b>Idaho</b>		\$5.85	\$2.50	\$3.35	More than \$30
<b>Illinois</b>		\$7.50	40%	\$4.50	\$20
<b>Indiana</b>		\$5.85	40%	\$2.13	Not specified
<b>Iowa</b>		\$7.25	40%	\$4.35	More than \$30
<b>Kansas</b>		\$2.65	40%	\$1.59	More than \$20
<b>Kentucky</b>		\$5.85	\$3.72	\$2.13	More than \$30
<b>Maine</b>		\$7.00	50%	\$3.50	More than \$20
<b>Maryland</b>		\$6.15	up to 50%	\$3.08	More than \$30
<b>Massachusetts</b>		\$8.00	\$5.37	\$2.63	More than \$20
<b>Michigan</b>		\$7.15	\$4.50	\$2.65	Not specified
<b>Missouri</b>		\$6.65	\$3.32	\$3.33	Not specified
<b>Nebraska</b>		\$5.85	\$3.72	\$2.13	Not specified
<b>New Hampshire</b>		\$6.50	55%	45%	More than \$30
<b>New Jersey</b>		\$7.15	<u>\$5.02 6</u>	\$2.13	Not specified
<b>New York</b>		\$7.15			Not specified
<i>Building service</i>			None	\$7.15	
<i>Restaurant industry</i>					
Food service workers			\$2.55	\$4.60	
All other workers					
Employees averaging between \$1.60 and \$2.30 per hour in tips.			\$1.60	\$5.55	
Employees averaging \$2.30 per hour or more in tips.			\$2.30	\$4.85	
<i>Hotel industry</i>					
Food service workers			\$2.55	\$4.60	
All other workers (all year and resort hotels)					
Employees averaging between \$1.60 and \$2.30 per hour in tips			\$1.60	\$5.55	
Employees averaging \$2.30 per hour or more in tips			\$2.30	\$4.85	
All other workers averaging more than \$4.05 per hour in tips			\$2.85	\$4.30	
Chambermaids (Resort Hotels only)					
Chambermaids averaging between \$1.10 and \$4.05 per hour in tips			\$1.10	\$6.05	
Employees averaging \$4.05 per hour or more in tips			\$2.30	\$4.85	
<i>Miscellaneous Industries</i>					

Employees averaging between \$1.10 and \$4.05 per hour in tips			\$1.10	\$6.05	
Employees averaging more than \$1.75 per hour in tips			\$1.75	\$5.40	
<a href="#">North Carolina 7</a>		\$6.15	\$3.72	\$2.43	More than \$20
<b>North Dakota</b>		\$5.85	33%	\$3.92	More than \$30
<a href="#">Ohio 8</a>		\$7.00	50%	\$3.50	More than \$30
<a href="#">Oklahoma 9</a>		\$5.85	<a href="#">50% 6</a>	\$2.93	Not specified
<b>Pennsylvania</b>		\$7.15	\$4.32	\$2.83	More than \$30
<b>Rhode Island</b>		\$7.40	\$4.51	\$2.89	Not specified
<b>South Dakota</b>		\$5.85	<a href="#">\$3.72 6</a>	\$2.13	More than \$35
<b>Texas</b>		\$5.85	\$3.72	\$2.13	More than \$20
<b>Utah</b>		\$5.85	\$3.72	\$2.13	More than \$30
<b>Vermont</b>		\$7.68	\$3.96	\$3.72	More than \$120
<i>Employees in hotels, motels, tourist places, and restaurants who customarily and regularly receive tips for direct and personal customer service.</i>					
<i>All other employees</i>			None	\$6.25	
<b>Virginia</b>		\$5.85	Actual amount received		Not specified
<b>Virgin Islands</b>					
<i>Tourist Service and Restaurant industries</i>		\$4.65	50%	\$2.33	Not specified
<i>All other industries</i>		\$4.65	None	\$4.65	
<a href="#">West Virginia 10</a>		\$6.55	20%	\$5.24	Not specified
<a href="#">Wisconsin 11</a>		\$6.50	\$4.17	\$2.33	Not specified
<b>Wyoming</b>		\$5.15	\$3.02	\$2.13	More than \$30

The following five states, not included in table, do not have State minimum wage laws: Alabama, Mississippi, South Carolina, and Tennessee. Also not included is Georgia, which exempts tipped employee law. Some states set subminimum rates for minors and/or students or exempt them from coverage, or have a training wage for new hires. Such differential provisions are not displayed in this table.

**FOOTNOTES**

<sup>1</sup> [Other additional deductions are permitted, for example for meals and lodging, except as noted in footnote 8.](#)

<sup>2</sup> **Minnesota.** A large employer is an enterprise with annual receipts of \$625,000 or more; a small employer, less than \$625,000.

<sup>3</sup> **Oregon.** Beginning January 1, 2004, and annually thereafter, the rate will be adjusted for inflation by a calculation using the U.S. City Average Consumer Price Index for All Urban Consumers for All Items. The wage amount established will be rounded to the nearest five cents.

<sup>4</sup> **Washington.** Beginning January 1, 2001, and annually thereafter, the rate will be adjusted for inflation by a calculation using the consumer price index for urban wage earners and clerical workers for the prior year.

<sup>5</sup> **Puerto Rico.** Rates are established by industry wage orders (mandatory decrees) and vary by industry, occupation or other factors. However, for employers not covered by the FLSA, a new minimum rate equivalent to 70% of the Federal minimum wage (\$3.61 p.h.) supersedes all mandatory decree rates below that level, with the mandatory decree program being eventually phased out. A tip credit allowance is permitted in, 1) the restaurant, bar and soda fountain industry, which has a \$3.70 minimum wage for all employees, and 2) the guest house industry, with a minimum of \$2.75, but only for those employees who were hired after July 27, 1998. In addition, a lower rate is established for tipped occupations than for non tipped in the hotel industry. For hotel waiters and bellboys, the minimum wage is \$2.50 or \$2.25, depending on whether annual gross income is \$362,500 or more or less than this amount.

<sup>6</sup> In **New Jersey, Oklahoma, and South Dakota**, the listed maximum credit is the total amount allowable for tips, food and lodging combined, not for tips alone as in other states. In **New Jersey**, in specific situations where the employer can prove to the satisfaction of the labor department that the tips actually received exceed the creditable amount, a higher tip credit may be taken.

<sup>7</sup> **North Carolina.** tip credit is not permitted unless the employer obtains from each employee, monthly or for each pay period, a signed certification of the amount of tips received.

<sup>8</sup> **Ohio.** The minimum cash wage for tipped employees of employers with gross annual sales in excess of

\$255,000 is \$3.50 per hour (plus tips). For tipped employees of employers with gross annual sales of less than \$255,000, the tipped employee hourly rate is \$2.93 per hour (plus tips).

<sup>9</sup> **Oklahoma.** For employers with fewer than 10 full-time employees at any one location who have gross annual sales of \$100,000 or less, the basic minimum rate is \$2.00 per hour, with a 50% maximum tip credit.

<sup>10</sup> **West Virginia.** For employers with six or more employees and for state agencies.

<sup>11</sup> **Wisconsin.** \$2.13 per hour may be paid to employees who are not yet 20 years old and who have been in employment status with a particular employer for 90 or fewer consecutive calendar days from the date of initial employment.

Source: Wage and Hour Division, Employment Standards Administration, US Department of Labor

**Testimony In Support of Senate Bill 466**  
**February 19, 2008**  
**Bob Newsome, Chairman**  
**Riley County Board of Commissioners**

Dear Co-Chairs Brownlee and Jordan, and other distinguished members of this Committee:

My name is Bob Newsome, and I am Chairman of the Riley County Commission. I am testifying in support of S.B. 466, which raises the Kansas minimum wage to conform to the Federal Minimum Wage.

Senator Reitz' bill addresses the fact that many of the college students, work at minimum wage jobs while working toward their degrees. The Kansas minimum wage at \$2.65/hour, is far below the federal minimum wage. College students must work in low-skilled jobs, such as food service, due to their class schedules. The common starting wage for many waiters and waitresses in restaurants is \$2.13/hour. "Fast Food" restaurants in Riley County must pay up to \$7.50/hour to attract qualified applicants. This demonstrates that hourly wages in the range of \$2.00/hour are too low to support any person.

Kansas State University has a policy that its departments must pay student workers at least \$6.50/hour. University departments have the discretion to pay a higher hourly wage to student employees. Kansas State's policy is a recognition that hourly wages must rise far above the state minimum, in order to be fair to students.

The low wages for low-skilled jobs forces college students to live in poverty while in school, and simultaneously encourages them to incur significant student loan debt. Kansas State University indicates that 52% of undergraduates have taken out student loans, and the average undergraduate leaves Kansas State with \$19,578.00 in student loan debt. Figures from Kansas State University indicates the average graduate student leaves the university with \$25,746.00 in student loan debt. Student loans may be paid back over a period of 10 years following graduation, and they have a default rate of only 1.6%. That means the vast majority of the college graduates are meeting their student loan debt obligations.

I believe the State should meet its obligation to our working college students by passage of S.B. 466. Thank you for consideration of this bill.

Senate Commerce Committee  
February 19, 2008  
Attachment 5-1



Testimony Before the Commerce Committee of the Kansas State Senate  
By Bishop Scott J. Jones, United Methodist Church, February 19, 2008

I wish to convey my support for a bill to raise the minimum wage in Kansas to the Federal level. In the "Social Principles of The United Methodist Church" my denomination teaches that "every person has the right to a job at a living wage."<sup>1</sup> While the Church's teaching does not address the specifics of the bill before you, the connection is clear. If a person works 40 hours a week, 52 weeks a year at \$2.65 per hour, she or he would earn \$5,512 in a year. If both parents in a family of four worked full time at this level, they would still be earning slightly more than one-half of the poverty line. Three reasons say that Kansas can do better than this.

First, as a Christian, I would appeal to Christ's commandments that we love our neighbor as ourselves and that we care for the poor.<sup>2</sup> Kansans have long sought to claim the moral high ground in our country. Our free-state heritage, our commitment to equal opportunity, and our ambition to be a great place for families and children should lead us to do the right thing by those on the bottom rung of our economic ladder. A well-paying job is better than welfare for all of us.

Second, we should make it the business standard in Kansas to treat employees like human beings. My wife is the majority owner of a company that meets a weekly payroll in the tens of thousands of dollars. For 82 years Reece Construction has been loyal to its employees and the company has prospered while serving the highway needs of the state. We know what it means to treat employees well and make a profit. Others can do this as well.

Third, we need to position our state in the mainstream of economic practice. Kansas should seek to be a state where people can think big and find opportunity for growth and development. The fact that we are the only state with a minimum wage lower than the Federal standard is an embarrassment. Please pass this bill.

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<sup>1</sup> *The United Methodist Book of Discipline, 2004*, 115.

<sup>2</sup> Matthew 22:34-40, Luke 16:19-20

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**Senate Commerce Committee  
February 19, 2008  
Testimony in Support of SB 466  
Kansas Catholic Conference  
Sister Therese Bangert**

In 2006 Catholic Charities USA released a policy paper titled: POVERTY in AMERICA – a Threat to the Common Good. They begin the executive summary with *“Poverty in the United States is a moral and social wound in the soul of our country. It is an ongoing disaster that threatens the health and well-being of our nation . . .* In the specific policy proposals of the paper they promote **“Creating Good Jobs and Raising Wages”**.

The Kansas Catholic Conference supports the policy changes in the Kansas minimum wage of SB 466 as part of a solution to reducing poverty in our state and our nation.

A 2004 study by Kansas State University paints a dramatic picture of the gap between some workers wages and a wage that would meet basic needs. This Self-Sufficiency Study constructed charts of carefully calculated household expenses. **The chart that accompanies this testimony illustrates the importance of SB 466.**

Be mindful that the numbers of this chart are now four years old – not reflecting the higher energy costs both in heating and transportation.

I urge you not to ignore the important policy change in SB 466. Please send this bill to the Senate floor with your full endorsement.

Senate Commerce Committee  
*February 19, 2008*

Attachment 7-1

MOST REVEREND RONALD M. GILMORE, S.T.L., D.D.  
DIOCESE OF DODGE CITY

MOST REVEREND JOSEPH F. NAUMANN, D.D.  
*Chairman of Board*  
ARCHDIOCESE OF KANSAS CITY IN KANSAS

MOST REVEREND PAUL S. COAKLEY, S.T.L., D.D.  
DIOCESE OF SALINA

MOST REVEREND MICHAEL O. JACKELS, S.T.D.  
DIOCESE OF WICHITA

MICHAEL P. FARMER  
*Executive Director*

MOST REVEREND JAMES P. KELEHER, S.T.D.  
ARCHBISHOP EMERITUS - ARCHDIOCESE OF K.C. IN KS

MOST REVEREND EUGENE J. GERBER, S.T.L., D.D.  
BISHOP EMERITUS - DIOCESE OF WICHITA

MOST REVEREND GEORGE K. FITZSIMONS, D.D.  
BISHOP EMERITUS - DIOCESE OF SALINA

MOST REVEREND MARION F. FORST, D.D.  
RETIRED

Kansas Household Self-Sufficiency Standard: 2004  
Kansas State University

7-2

Table 1.1

Average Self-Sufficiency Standards by Expenditure Categories, Monthly Earnings, and Hourly Wage, by Household Composition, Number of Bedrooms, and Household Type for the State of Kansas: April, 2004.

Household Composition	ADULT INFANT	ADULT INFANT PRESCHOOL	ADULT PRESCHOOL SCHOOLAGE	ADULT PRESCHOOL SCHOOLAGE	ADULT SCHOOLAGE TEEN	ADULT SCHOOLAGE TEEN	ADULT INFANT PRESCHOOL SCHOOLAGE	ADULT INFANT PRESCHOOL SCHOOLAGE	2 ADULTS PRESCHOOL SCHOOLAGE
Bedrooms	1-BR	2-BR	2-BR	3-BR	2-BR	3-BR	2-BR	3-BR	3-BR
Household Type	I	II	III-A	III-B	IV-A	IV-B	V-A	V-B	VI-B
Expenditure Categories									
Housing	437	554	554	745	554	745	554	745	745
Food	268	377	442	442	494	494	542	542	633
Transportation	195	195	195	195	195	195	195	195	278
Child Care	420	799	608	608	228	228	1027	1027	608
Health Insurance	269	361	322	322	333	333	450	450	443
Dental Insurance	38	57	57	57	57	57	57	57	57
Miscellaneous	174	251	233	253	199	220	302	323	296
Total Taxes <sup>1</sup>	-75	36	-97	54	-216	-15	172	261	163
Expenditure	1801	2630	2411	2676	2060	2272	3299	3600	3223
Earnings									
Monthly	1726	2630	2314	2676	1844	2257	3299	3600	3223
Annual	20712	31560	27768	32112	22128	27084	39588	43200	38676
Hourly Wage	10.36	15.78	13.88	16.06	11.06	13.54	19.79	21.60	19.34 <sup>2</sup>

<sup>1</sup> Total tax liability for Social Security Taxes and Federal and State Income Taxes (excludes sales taxes).  
Minus (-) sign means a tax refund.

<sup>2</sup> Combined hourly wage rate for two earners in the household.

**Testimony to Kansas Senate Commerce Committee on the minimum wage  
Given by Heidi Zeller on behalf of the Kansas Action Network, 2/19/08**

Thank you Senator Brownlee, Senator Jordan and Commerce Committee members. I appreciate the opportunity to speak with you today about Senate Bill 466, which aims to raise the Kansas minimum wage.

My name is Heidi Zeller and I'm organizing Kansas Action Network's campaign to "Raise the Wage" in Kansas. KAN is a statewide coalition for workers' rights, social justice and economic fairness, with 30 member organizations representing over 250,000 Kansans throughout the state. Raise the Wage is designed to increase the lowest state minimum wage in the nation through a coordinated, city-by-city campaign. We are pursuing this local approach because of the inability to pass a wage increase at the state level year after year. It has now been 20 years that the Kansas minimum wage has been stuck at \$2.65 an hour.

Last July, Congress raised the federal minimum wage from \$5.15 to \$5.85 an hour. Over 100,000 workers in Kansas got a raise back then, representing almost 20% of the state workforce. That was a positive step, and one we celebrated. But, according to the Kansas Department of Labor, at least 17,000 even lower-wage workers did not get a raise because they were covered by the Kansas minimum wage law.

As a study by the Kansas-based Ad Astra Institute shows, there are several categories of Kansas workers who can be legally paid less than the federal minimum wage, including workers whose employers gross under \$500,000 annually and don't produce for interstate commerce, companions for the elderly or infirm, workers at small newspapers, workers on small farms, and childcare workers.<sup>1</sup> In our view, this is unacceptable.

Working year-round at \$2.65 an hour would net a full-time worker an annual income of less than \$6,000 a year. That's *less than a third* of what it would take for a single mother with two children to reach the federal poverty level in 2008.<sup>2</sup> This July, the federal minimum wage will increase another step, to \$6.55. Will the Kansas Legislature let another year go by without raising the state wage? Will Kansas fall even farther behind?

The purpose of the minimum wage is to place a firm floor under workers and their families, providing the base upon which they can feed, shelter and clothe themselves. In 1938, when President Roosevelt sent the Fair Labor Standards Act to Congress, he said "A self-supporting and self-respecting democracy can plead no justification for the existence of child labor, no economic reason for chiseling workers' wages or stretching workers' hours. . ." Today, the notion of child labor is repugnant. Yet "chiseling workers' wages" effectively continues by not raising the minimum wage year after year in the face of a rising cost of living. The minimum wage may not provide a comfortable life, but it can sustain life.

The point of our campaign is to ensure that no Kansas workers slip through the cracks of an outdated and unjust minimum wage. Consider the consequences of *not* raising the wage: When workers are not paid a fair day's pay for a fair day's work, they are not just underpaid - they are subsidizing employers, stockholders, and customers who do not have to pay the realistic price of producing goods and services. Worse, they are forced to seek assistance in the form of food stamps, subsidized housing and Medicaid, straining social service agencies that are already stretched thin.

Yet it doesn't have to be this way. Research has shown that paying decent wages has positive economic effects across the board: workers benefit because they can better

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support their families, local merchants benefit because those workers are spending more dollars in their communities by necessity, employers save money through reduced employee turnover and a more productive workforce, and, overall, the economy gets a boost.

Opponents often argue that raising the wage will cause unemployment – that employers won't be able to afford the increased labor costs and will therefore have to lay off their employees. Opponents tend to hold up small businesses as poster children, saying they will be especially harmed, unable to compete with large businesses, and may fail altogether.

In reality, substantial research has found *no job loss* resulting from increases in the minimum wage. In the four years after the last minimum wage increase of 1996–97, the economy experienced its *strongest growth in over three decades*. Even when the economy is *struggling*, as it did in 1991–92, minimum wage increases have not been found to cost jobs.

As for the situation of small businesses, research has found that they can absorb and benefit from a minimum wage increase just as big businesses can. In fact, the number of small businesses grew *faster* in higher minimum wage states than in states with a minimum of \$5.15 an hour. Additionally, the *number of employees* in small establishments grew *almost twice as fast* in higher minimum wage states.<sup>3</sup>

Critics sometimes deny all of this – but 31 states have set their minimum wages higher than the federal minimum wage because they see benefits all around. There is simply no reasonable justification for NOT raising the wage. Instead there are many compelling reasons why we SHOULD raise the wage.

For twenty years Kansas workers have been falling farther and farther behind. This year, let's lift our shameful \$2.65 minimum, and create a more solid base for our state economy in the process. This year, when the federal wage floor rises to \$6.55 (and to \$7.25 next year), the Kansas minimum wage should keep pace. Most importantly, let's show that Kansas is a state that rewards honest work with fair pay.

Thank you for your time. I'm happy to answer any questions you may have.

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<sup>1</sup> Ad Astra Institute of Kansas, "Impacts of Minimum Wage Increases in Kansas: A Background Report" (2007)

<sup>2</sup> As of February 2008, the poverty line is \$17,600 for a family of three, according to the U.S. Department of Health and Human Services (<http://aspe.hhs.gov/poverty/08poverty.shtml>)

<sup>3</sup> Fiscal Policy Institute, "States with Minimum Wages above the Federal Level have had Faster Small Business and Retail Job Growth" (2006)

## Testimony by Jake Lowen on SB 466

Thank you Senator Brownlee, Senator Jordan and members of the commerce committee for this opportunity to speak regarding Senate Bill 466.

My name is Jake Lowen, and I am the director of the Wichita / Hutchinson Labor Federation of Central Kansas.

SB 466 would seek to raise the paltry state minimum wage and bring it into line with almost every other state. You have already heard most of the important facts. That a minimum wage increase would create :

- a more self-sufficient citizenry (who depend less on social services)
- consumers with greater purchasing power
- a more motivated, productive workforce
- more cash flow in the local economy
- new jobs & new businesses through a multiplier effect
- a healthier tax base

I want to focus my comments today on the overwhelming public support for raising the minimum wage. Just last year when the federal government was considering a minimum wage increase, a poll by the Pew Research Center showed a public support at 83 percent for raising the minimum wage.

Likewise we see similar public support among Kansans in regards to an increase in the state minimum wage. Last summer in Wichita we began organizing a grassroots movement in support of raising the state minimum wage. On Labor Day, We officially launched the Raise the Wage Wichita campaign in a rally of over 500 supporters.

Since that day we have built a strong coalition of 44 Wichita area community, faith, labor, and social service organizations and gathered over 3000 petition signatures from individuals who have joined together in this cause.

We will be pleased to deliver a copy of the petitions to each of your offices for consideration.

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This coalition is dedicated to raising the wages of Kansas's lowest wage workers. While we hope that the legislature will raise the Kansas minimum wage we are not idly waiting for it to happen.

The Raise the Wage Wichita coalition is prepared to lobby the Wichita City Council to establish a first of its kind establishment of a municipal minimum wage law. While this has not been done before in Kansas, it is not without precedent and it certainly within the home-rule authority of Kansas's city governments.

If the legislature cannot act to cover Kansas workers in a blanket wage increase, than we will work to build a quilt of independent city regulations, city by city, county by county until all are covered.

After our campaign launch in Wichita, we have since seen similar broad based coalitions arise in the Kansas City and Topeka areas as well. We are committed to ensuring that these efforts succeed.

Public support is clearly behind measures like this bill by Senator Reitz, and this support is bi-partisan. Just this month we stood with clipboards outside of both the republican and democratic presidential caucuses and found support at both. We have found deep support within the faith community who recognize that this is not only an economic issue, but a moral one. In fact we have two sisters here today from the Adorers of the Blood of Christ who have personally gathered many of these signatures.

We all work to make a living. But work is also about hope. It offers us some control over our destiny and it creates the potential for dreams. It only offers hope though when people are able to make more than they need to keep themselves alive. That's why a good wage is central to the American dream and work ethic. It does not make sense to work hard if our work does not have the potential to make life better for you or your children.

The broad based support for increasing the minimum wage indicates that this in an idea whose time has come. Senate Bill 466 deserves to be heard on the Senate floor just as the 17,000 Kansas workers who it would affect deserve a chance to make life better for their families.

TESTIMONY to  
SENATE COMMERCE COMMITTEE

In support of SB 466

February 19, 2008

Thank you for this opportunity to testify in support SB 466. My name is Shannon Jones. I am the executive director for the Statewide Independent Living Council of Kansas (SILCK). As mandated by the federal Rehabilitation Act as amended, the SILCK is governor appointed, consumer controlled and comprised of statewide and cross-disability representation. Our Council continually seeks input from Kansans with disabilities on how the landscape of Kansas's public policy can change so that people with disabilities are less dependent on public assistance. This input is used as our roadmap to develop the State Plan for Independent Living. Our primary purpose is to facilitate and promote the independent living philosophy, freedom of choice and equal access to all facets of community life for people with disabilities through systems change activities.

The SILCK supports increasing the minimum wage as defined in SB 466.

Employment is central to living independently and self esteem for all persons. The key to effectively moving people, both with and without disabilities from state and federal assistance is to help them find employment that provides wages necessary for self-sufficiency.

Because the unemployment rate for Kansans with disabilities runs as high as 50% and the Kansas minimum wage at \$2.65 ranks as one of the lowest in the nation, it is time to raise the minimum wage to that equal to the federal minimum wage.

Kansans with disabilities want to work and will work, but they need a fair and decent wage to make that transition meet their basic needs. Most will consider if it is viable to work making only \$2.65 per hour or \$424 per month. Will I be able to pay for my heating bills let alone my prescription drug costs is another consideration. By raising the minimum wage in two steps; first to \$6.55 per hour or \$1048 per month, then to \$7.25 per hour or \$1,160 per month this becomes more realistic to folks entering the workforce for the first time.

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The SILCK firmly believes that by raising the minimum wage we will steadily see more folks with disabilities moving off the system and contributing to the system, becoming taxpayers rather than tax takers. More Kansans seeking and finding employment at a decent wage will further strengthen the Kansas economy. New taxpayers will add resources to the state. We will have the dignity of earning a fair and decent salary and become part of the community.

The SILCK urges your support to favorably pass SB 466.



KANSAS NATIONAL EDUCATION ASSOCIATION / 715 SW 10<sup>TH</sup> AVENUE / TOPEKA, KANSAS 66612-1686

**Terry Forsyth, Testimony  
Senate Commerce Committee  
February 19, 2008**

**Senate Bill 466**

Madame Chair, members of the committee, thank you for the opportunity to appear before you today to express our thoughts on **Senate Bill 466**.

Our concern is not that our members make the state minimum wage although I imagine many that hold second jobs might. But our real concern is the effect of minimum wage on others in society and in particular on children.

First, as a point of background, I have included in my testimony a chart showing minimum wage rates around Kansas as they stand now.

State	2007	2008	2009
Kansas	\$2.65	\$2.65	\$2.65
Nebraska	\$5.85	\$6.55	\$7.25
Oklahoma	\$5.85	\$6.55	\$7.25
Missouri	\$6.65	\$6.65	\$6.65
Colorado	\$7.02	\$7.02	\$7.02
Iowa	\$7.25	\$7.25	\$7.25
New Mexico	\$6.50	\$6.50	\$7.50
Texas	\$5.85	\$6.55	\$7.25

Not only does Kansas have the lowest minimum wage, it is a full \$3.20 per hour lower than next lowest rate and \$4.60 lower than the current minimum wage in Iowa. With the exception of five southeastern states that have no state minimum wage, Kansas has the lowest in the United States. Our minimum wage is lower than the minimum wage in Guam, American Samoa, Puerto Rico, and the U.S. Virgin Islands.

Like Kansas, Wyoming and Georgia have state minimum wages below the federal minimum wage. But they are both \$5.15, a full \$2.50 higher than Kansas – or nearly double the Kansas wage.

If 49 states and territories can have a minimum wage higher than ours, what are we worried about? The increase in the minimum wage in **SB 466** does not put us at the top of the states. It doesn't take us up to Missouri or Colorado. And our state minimum wage jobs are not in competition with Louisiana, Alabama, Tennessee, Mississippi, or South Carolina.

**SB 466** brings Kansas in line with the rest of the United States.

But most important in our eyes, is the impact of the minimum wage on children. There are young children in Kansas living with parents who must struggle to survive on the Kansas minimum wage. These are the children who depend on the school for their hot meals of the day. These are children with nutritional deficiencies. These are the children most at-risk of failure.

\$5.85 per hour will not lift these children out of poverty but it will make a difference in their lives and the lives of their parents. And it will make a difference in their ability to take advantage of a good public school.

We urge this committee to endorse **Senate Bill 466**.

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Senate Commerce Committee  
Prepared by Greg Jones  
February 19, 2008

I am in support of Senate Bill 466. While the minimum wage for many Kansans is a mere \$2.65 per hour many people within the State work for much less. Often these workers earn only pennies per day doing piece-rate work. Troubling is the fact that the State of Kansas subsidizes this practice of substandard pay.

Through the Home and Community Based Service (HCBS) providers are allowed, and encouraged financially, to segregate people with developmental disabilities into sheltered workshop settings or into on-site settings referred to as enclaves. The HCBS provider bids projects for private business both in and outside the sheltered workshop. As private business utilizes this cheap labor the individuals doing the actual work are paid by the provider on a piece rate basis. The piece rate pays fall even below the current \$2.65. Many individuals are working for literally pennies per day. Troubling is that while selling the labor of people with developmental disabilities for pennies on the dollar providers bill the state of Kansas from between \$36.64 to \$97.52 per individual per day for "Day Services". The provider groups individuals to complete demeaning tasks for little or no pay while they experience significant windfalls.

Troubling is the fact that as a people we allow people with developmental disabilities to be exploited in this sweatshop manner. As a people we would not tolerate this happening to our children or any minority group. Yet we allow this exploitation of people with developmental disabilities to take place in almost every community within our state. The operators of these workshops might try to convince you that "those" people are unable to work competitively or that we must train people with developmental disabilities to do some repetitive task regardless of its value. I believe otherwise. Should people with developmental disabilities not be able to work competitively, need we exploit them as cheap labor? Need we segregate them for any reason?

Actual pay receipts for an individual working in a piece rate fall far short of the current \$2.65 hour. Paychecks are often times less than what the provider charges them for transportation to and from the jobsite. With the current reimbursement rates providers can receive from \$845- \$2244 per month per individual while the individual doing the work receives a very small fraction of that in pay. Most individuals working for piece rate do not earn enough to purchase their groceries or pay their light bill.

To conclude I am in support of SB 466. It brings us all one step closer to some sense of equity in Kansas culture.

Greg Jones  
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February 19, 2008  
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**Testimony re: SB 466  
Senate Commerce Committee  
Presented by Ronald R. Hein  
on behalf of  
Kansas Restaurant and Hospitality Association  
February 19, 2008**

Mister Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for the Kansas Restaurant and Hospitality Association. The Kansas Restaurant and Hospitality Association, founded in 1929, is the leading business association for restaurants, hotels, motels, country clubs, private clubs and allied business in Kansas. Along with the Kansas Restaurant and Hospitality Association Education Foundation, the association works to represent, educate and promote the rapidly growing industry of hospitality in Kansas.

The KRHA opposes SB 466. Minimum wage legislation, on the surface, sounds good in concept. It would appear to help insure a certain, arbitrarily picked wage to all workers. But, in practice, minimum wage legislation oftentimes works adversely to the very people that minimum wage legislation is intended to help. Most workers whose worth is higher than the minimum wage, including professionals, technically skilled workers, skilled laborers, and others, are not even impacted by minimum wage legislation. So, generally, the intent is to raise the wages of those people who are untrained, unskilled, probably but not always young, inexperienced, just entering the workforce, or, in many instances, are attempting to get work experience while going to school or otherwise.

The result of such minimum wage legislation is oftentimes to force the employer to reconsider his or her willingness to employ the least educated, least trained, least experienced worker for employment. If the employer is forced to pay more than what the employee is worth at that point in time, the employer might decide to employ an individual who is more skilled, experienced, or trained. The government can increase the minimum wage, but cannot force employers to pay a higher wage to those least employable and highest at risk workers.

The impact of the minimum wage, both federal and state, is slightly different for the restaurant, lodging, and hospitality industry due to the fact that many employees of our industry also receive tips. Under federal law, the minimum wage is currently \$5.85 per hour, and will jump to \$6.55 effective July 24, 2009, and will jump again to \$7.25 effective July 24, 2009. But, pursuant to federal law, only \$2.13 of that minimum wage is required to be paid by the employer in direct pay if the employee receives tips in a sufficient amount equal to or exceeding the applicable federal minimum wage. If tips do not bring the total wage to the minimum wage level, the employer must make up the

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difference in cash payment to meet that minimum wage.

Under state law, the minimum wage is \$2.65 per hour, but a maximum of 40% of such amount can be in tips. If the minimum wage is raised as provided in SB 466, the employer must pay a cash wage of \$3.93 per hour, since only 40% of the \$6.55 (\$2.62) could be counted in tips.

To clarify this distinction, take an employee who is covered by state minimum wage vs. an employee who is covered by federal minimum wage. Assume both employees receive tips of \$5.00 per hour. Under federal law, the payment of \$2.13 plus the \$5.00 in tips per hour would result in total employee pay of \$7.13 per hour. Under state law, the employee would have to be paid \$3.93 by the employer, and would add their \$5.00 in tips to that, resulting in \$8.93 total wages per hour. Thus, for tip heavy businesses, HB 2526 would require a higher payment than the federal minimum wage.

When government raises the minimum wage, at the state or federal level, it has a "bumping" effect on the entire staff. If the federal minimum wage is raised from \$5.85 to \$6.55 per hour, the person making \$6.55 per hour, who has some skills or experience which warrant the higher level of pay, then wants to know why the starting, unskilled employee is making the same amount as him/her. They then want to move up to \$7.25 per hour, which then causes the \$7.25 per hour employee to feel the same way. And so on up the ladder. In short, when the government gets in the business of statutorily setting minimum wages or prices, it has the effect of altering all wages at the hourly level, and, eventually, the entire free market system.

However, despite these arguments why the state minimum wage should not be raised, the minimum wage in Kansas certainly appears to be extremely low. Therefore, although the KRHA opposes SB 466, we would have no objection to the repeal of the state minimum wage.

The vast, vast majority of food and beverage employees in Kansas, which constitutes approximately 13.5% of the workforce, already pay in excess of the federal minimum wage.

The federal Fair Labor Standards Act of 1938, as amended, provides that the act "applies to enterprises that have employees who are engaged in interstate commerce, producing goods for interstate commerce, or handling, selling or working on good or materials that have been moved in or produced for interstate commerce."

There is also the so-called "enterprise" test, which requires, I believe, \$500,000 annual volume to be engaged in interstate commerce. But even if the income is below that, any businesses are covered, or specific employees are covered, to the extent that they are otherwise meeting the definition of the act. The act has also been interpreted to cover those businesses which have credit card sales because of the interstate nature of credit cards.

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Although there are "statistics" which would seem to indicate that there are businesses which pay only the state minimum wage, so far no one had been able to identify any individual businesses which pay such a low rate. KRHA has trouble believing that such businesses exist, and further have trouble believing that individual employees would work there, when they can work virtually anywhere else and receive the higher federal minimum wage.

Although the KRHA opposes SB 466, the KRHA would support the repeal of the state minimum wage.

Thank you very much for permitting me to testify, and I will be happy to yield to questions.



February 18, 2008

Some thoughts on government setting wage and price controls

**Impact on Business, Higher Prices, Increased Unemployment**

The real world effect of raising the minimum wage would be a hit on the pocketbooks of the poorest in society. When businesses are forced to pay more for labor they must make up the difference elsewhere. One way this is accomplished is by cutting back on the number of jobs affected the higher wage. The higher unemployment that results is felt most acutely by the least skilled and most vulnerable in society. Those who advocate higher mandated minimum wages say they are doing so to help the poor, but in effect they end up hurting them far more by pricing them out of labor markets. Quite simply, if the market value of a person's labor is less than a mandated wage, that person becomes unemployable. Another reaction to higher mandated wages is raising the price of goods. Again this solution disproportionately affects those with the smallest disposable incomes.

**Mandated Wages Limit Freedom**

If one consenting adult agrees to work for another for \$5 an hour, should the state step in and invalidate the arrangement?

**Minimum Wage Jobs are a Stepping Stone**

It is often claimed that the minimum wage is not enough to raise a family on. But it was never designed to do so. Barely 5 percent of minimum wage workers are sole breadwinners that work full-time year-round and less than 5 percent are poor single mothers over 18 years old. Minimum wage jobs are overwhelmingly held by those newly entering the job market or part-time workers. These jobs are a perfect introduction to the business world for young adults. 53 percent of the minimum wage workforce is age 23 or younger, and those with an inability to devote a full day to work. Once employees become acclimated to a job and develop marketable skills they are promoted to higher paying positions or transfer to another business with solid experience on their resume. Nearly two-thirds move out of minimum wage jobs within one year. Expecting a single worker to be able to raise a family on a minimum wage job is not only disingenuous but it unfairly characterizes the role of the position in our society.

Mandated minimum wages tends to simply displace workers whose labor is worth more than the new price floor.

From the New York Times editorial, January 14, 1987, entitled, "The Right Minimum Wage: \$0.00":

There's a virtual consensus among economists that the minimum wage is an idea whose time has passed. Raise the legal minimum price of labor above the productivity of the least skilled workers and few will be hired. The idea of using a minimum wage to overcome poverty is old, honorable — and fundamentally

**Economic Perspectives on SB 466:  
Increasing the Kansas Minimum Wage**

Arthur P. Hall  
Executive Director  
Center for Applied Economics  
University of Kansas School of Business

Presented to the Senate Commerce Committee  
February 19, 2008

**Executive Summary**

- Minimum wage laws cause disemployment among low-skilled workers and tend to worsen conditions and opportunities for the “working poor.”
- SB 466 increases the Kansas minimum wage to levels that track pending increases in the federal minimum wage.
- Because of the federal increases and associated compliance rules, the Kansas businesses (and their employees) that will be disproportionately impacted by SB 466 are those that generate less than \$500,000 per year and conduct no business (directly or indirectly) across the Kansas state line.

**Findings from Empirical Economic Research on Minimum Wage Laws**

Economists have studied the economic effects of minimum wage laws for decades. On balance, there is general agreement that these laws do more harm than good. As in all long-running economic policy debates, there is disagreement over the size, timing, and distribution of the effects.

- **Minimum wage laws reduce employment opportunities for young people and other less-skilled people.**
  - For each 10 percent increase in the minimum wage, we can expect a 1.0% to 3.0% decrease in employment—especially among teens and young adults.
  - The adjustment mechanism is not necessarily lay-offs but a reduction of opportunity through attrition. Minimum-wage level jobs have a high turnover rate, and employers do not replace the jobs.
  - The worst disemployment effects fall on people at the lowest skill level—typically, those holding minimum wage jobs that have dropped out of school. In addition, minimum wage laws tend to motivate more youth to drop out of school, especially in the inner cities.

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- **Minimum wage laws do a poor job of helping the “working poor.”**
  - Almost two-thirds of the people with minimum wage jobs—mostly teens or young adults—live in families with income levels more than two times the poverty level.
  - The empirical evidence indicates that workers near the poverty line tend to be displaced at a higher rate than those who are not. In the words of Prof. David Neumark, one of the leading economic scholars on minimum wage laws, the evidence suggests that “minimum wages cause families somewhat above the poverty line or the near-poverty line to slip below these levels, which could occur because workers lose their jobs or have their hours reduced, or because workers who would normally enter employment (as others leave) find it more difficult to obtain a job.” The laws have virtually no impact on the 40-plus percent of the workers who live in families with income levels above three times the poverty level.
  - The economic evidence regarding low-income working families is that these people have low income not because of low wages but because of a low number of hours worked (at wage rates well above minimum wage). The earned income tax credit is generally seen as a more direct and more effective policy instrument for assisting working families at low-income levels.
  
- **Minimum wage laws reduce the longer-run rate of skill acquisition.** This outcome occurs through two channels.
  - First, low-skilled people gather less work experience because of the displacement caused by minimum wage laws.
  - Second, an employer response to a higher cost of low-skilled labor appears to be a reduction in the pool of resources dedicated to training.
  - These two dynamics mutually reinforce each other as relatively more skilled people displace relatively less skilled in the competition for a reduced number of employment opportunities at the low end of the skill distribution.

### **Interaction of SB 466 with Federal Law**

SB 466 increases the current Kansas minimum wage in stages that match the pending increases in the federal minimum wage. Federal minimum wage laws apply under the federal Fair Labor Standards Act (FLSA). Current Kansas law—and SB 466—covers persons not covered by FLSA, a small percentage of the workforce. The likely economic effect of this coverage will be to eliminate a large share of the jobs not covered by FLSA—assuming that these jobs pay a wage meaningfully lower than the proposed minimum wage rates.

For example, as a hypothetical illustration, if the current pool of Kansas jobs covered by the Kansas minimum wage (but not the federal minimum wage) are paid \$2.65/hour, then SB 466 would increase the minimum by 173 percent in 2009. Using the research

findings cited above, that would lead to eventual job reductions of: 17% to 52%. If \$5.00/hour were the prevailing rate, then SB 466 would increase the wage rate by 45 percent in 2009, leading to job reductions of 4.0% to 14%.

***Schedule of Minimum Wage Rates***

Federal Fair Minimum Wage Act of 2007		SB 466	
July 24, 2007	\$5.58	Before August 1, 2008	\$2.65
July 24, 2008	\$6.55	August 1, 2008	\$6.55
July 24, 2009	\$7.25	August 1, 2009	\$7.25

**Who is Covered under the Fair Labor Standards Act**

( <http://www.dol.gov/compliance/guide/minwage.htm> )

“The Act applies to enterprises with employees who engage in interstate commerce, produce goods for interstate commerce, or handle, sell, or work on goods or materials that have been moved in or produced for interstate commerce. ***For most firms, a test of not less than \$500,000 in annual dollar volume of business applies (i.e., the Act does not cover enterprises with less than this amount of business).***”

“However, the Act does cover the following regardless of their dollar volume of business: hospitals; institutions primarily engaged in the care of the sick, aged, mentally ill, or disabled who reside on the premises; schools for children who are mentally, or physically disabled or gifted; preschools, elementary, and secondary schools and institutions of higher education; and federal, state, and local government agencies.”

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