

SESSION OF 2009

SUPPLEMENTAL NOTE ON SENATE BILL NO. 160

As Amended by House Committee of the Whole

Brief*

SB 160, as amended, would increase the state's minimum wage law from \$2.65 an hour to \$7.25. The wage increase would take effect on January 1, 2010.

Additional provisions would do the following:

- Allow new employees under the age of 20 to be paid, during the first 90 days (3 months) of employment, a wage of \$4.25 an hour. This provision could not be used to displace employees;
- Require, after January 1, 2010, the Secretary of the Kansas Department of Labor to adopt rules and regulations establishing a state minimum wage to mirror the federal minimum wage; and
- Provide that elected members of the Legislature would not be subject to the provisions concerning minimum wage.

Background

Proponent testimony was provided by Senator Marci Francisco, the Kansas Action Network, the Kansas AFL-CIO, the Kansas National Education Association, the Statewide Independent Living Council of Kansas, and the Kansas Department of Labor. Supporters said that the bill would bring the Kansas minimum wage in line with the federal minimum wage which is set to be increased from \$6.55 an hour to \$7.25,

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

starting in July 2009. Kansas is currently one of seven states and territories that has a state minimum wage lower than the federal rate (the others being Wyoming, Minnesota, Wisconsin, Arkansas, Georgia, and the U.S. Virgin Islands) . Proponents estimated that the bill would benefit approximately 17,000 to 20,000 wage earners.

Opponent testimony to the bill was provided by the Kansas Restaurant and Hospitality Association, the Kansas Chamber, the National Federation of Independent Businesses-Kansas, and Americans for Prosperity. Opponents expressed concern that any minimum wage rate is arbitrary and distorts the labor market. Under the bill employers would face higher operating costs that could result in one or more of the following events to occur:

- A smaller number of employees could be employed;
- The current hours worked by employees could be reduced;
- Current job positions could be left vacant for longer periods of time;
- Future wage increases could be reduced and perhaps eliminated;
- Some employees could be terminated; and
- Increased prices paid by consumers.

The Senate Committee amended the bill by changing the new minimum wage's effective date from September 1, 2009, to January 1, 2010. The Committee also amended the bill to clarify the method that may be used to calculate an employee's wage rate if an employer decides to include tips.

The federal minimum wage, which is established by the federal Fair Labor Standards Act, applies to a large majority of businesses in Kansas that are presumed to be engaged in interstate commerce. Certain other institutions, such as health care facilities, educational facilities, and state and local governments, are covered by federal law too. The state's minimum wage law applies to those businesses which are

smaller in terms of annual sales or conduct business solely within Kansas.

The House Commerce and Labor Committee inserted the additional provisions regarding employees under the age of 20 and the rules and regulations measure to be adopted after January 1, 2010.

The House Committee of the Whole inserted the provision to exempt elected members of the Legislature.

According to the fiscal note prepared by the Division of the Budget, the original bill would increase state income tax revenue to the State General Fund by \$3.6 million during the last ten months of FY 2010. In consultation with the Department of Revenue, this calculation assumes that 19,000 Kansans would see an increase in wages and that the average state tax rate would be 2.0 percent.