

MINUTES OF THE SENATE COMMERCE COMMITTEE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on February 8, 2000 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Lynne Holt, Legislative Research Department
Jerry Ann Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar, Secretary

Conferees appearing before the committee:

Terry Leatherman, Kansas Chamber of Commerce and Industry
Ann Harts, Manhattan Area Chamber of Commerce
Hal Hudson, National Federation of Independent Businesses
Ron Hein, Kansas Restaurant and Hospitality Association
Jim DeHoff, AFL-CIO
Kim Gulley, League of Kansas Municipalities

Others attending: See attached list

Upon motion by Senator Ranson, seconded by Senator Umbarger, the Minutes of the February 4, Meeting were unanimously approved.

SB 520 - Prohibition against local minimum wage laws

Terry Leatherman, Vice-President of Legislative Affairs, Kansas Chamber of Commerce and Industry (KCCI), testified in support of **SB 520**, stating the bill declares that no city or county ordinance could be passed to require a business in that community to pay a specific minimum wage.

The proposed legislation is in response to a national effort to promote “living wage” ordinances. Minimum wages that have been proposed range from \$6.25 to \$10.75 an hour. A specific minimum wage is usually calculated by a study that determines what wage is needed to “live” in a community. The calculations include costs of housing, food, transportation, health, childcare, etc., to determine a needed wage. (Attachment 1)

According to the Employment Policies Institute, as of January 18, 43 governing bodies had approved “living wage” ordinances. There are 82 additional cities where “living wage” ordinances are proposed, including Manhattan, Kansas. The Association of Community Organizations for Reform Now (ACORN) is the national advocate and takes credit for leading coalitions in passing ordinances in the 43 cities previously referenced.

Mr. Leatherman stated the living wage proposal has no relationship to the work being performed. The “living wage” proposal limits job creation by making the cost of labor increase, resulting in the elimination of jobs which are generally low wage positions. The imposition of such an ordinance drives up local government costs, resulting in higher taxes. The KCCI membership believes that the living wage proposal is a serious challenge to efforts to recruit and retain businesses in their communities and to promote job creation.

Ann Harts, Vice President/Director, Economic Development, Manhattan Area Chamber of Commerce, testified in support of **SB 520**, stating the passage of this legislation is important to Kansas communities. The Manhattan Chamber believes that wages and benefits should be determined by skill and abilities, competitive practices and an employer’s ability to compete in a global marketplace. 83% of respondents to a Manhattan Chamber survey on the issue of a living wage ordinance stated such an ordinance would give the impression that Manhattan is a community that is restrictive on business and,

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therefore, would discourage companies from locating or expanding. Ms. Harts testified the Flint Hills Living Wage Coalition, formed a few years ago in conjunction with the Manhattan Alliance for Peace and Justice, suggests that the City of Manhattan require private business to pay workers \$9.23 per hour, without health benefits provided, or \$8.45 an hour with employer provided health coverage, together with numerous other requirements. These requirements would be tied to businesses that receive any economic development incentives. This coalition has also stated in public meetings that once they have enacted a living wage ordinance at the local level they would turn their attention to the public schools, city and county government and Kansas State University. ([Attachment 2](#))

Ms. Harts stated this issue has created great divisiveness in the Manhattan community when it should be celebrating the diversifying of its tax and job base with approximately 2,000 new jobs, more than \$70 million in capital investment and an unemployment rate of 2.7%. If an ordinance is passed, existing businesses will be forced to take measures that are not conducive to an improved quality of life, likely in the following manner: by raising prices to cover the increase in wage costs; by reducing the number of workers employed; by re-evaluating the skills, knowledge and abilities of entry-level jobs; and reconsidering Manhattan as a place to establish a business.

Ms. Harts responded the present entry-level wage in the Manhattan area is \$8.00 to \$8.50, a bar set by Western Wireless.

Hal Hudson, State Director, National Federation of Independent Business, testified in support of **SB 520**, stating as many as 30 states have been promoting local minimum wage ordinances, some actually passing ordinances with wage ranges of \$6.25 to \$10.75. Most of the ordinances apply to employers who hold large city or county service contracts or receive financial assistance in the form of grants, loans, bond financing, tax abatements or other economic development subsidies. The minimum wage requirements are, however, higher than federal law. Employers would have to pay the designated wage to entry-level employees and even those employers who pay more than the minimum would be expected to increase wages for other employees to maintain the wage differential. ([Attachment 3](#))

Jim DeHoff, Executive Secretary of the Kansas AFL-CIO, testified in opposition to **SB 520**, stating the bill is an attempt to eliminate local wage protection. The legislation takes away home rule from locally elected officials; it would be in conflict with labor contracts that have union contracts with minimum wages; and it could be in direct conflict with various federal wage laws which could interfere with obtaining federal funds for certain projects. ([Attachment 4](#))

Kim Gulley, Director of Policy Development, League of Kansas Municipalities, testified in opposition to **SB 520**, stating the provisions of the bill would preempt local authority with regard to the establishing of a local minimum wage. The League believes there is no compelling reason to preempt Home Rule and opposes the legislation. ([Attachment 5](#))

Ron Hein, Kansas Restaurant and Hospital Association, submitted written testimony in support of **SB 520**, stating local minimum wage laws constitute a significant problem for the Restaurant Association. Members who have facilities in numerous cities in the state would have to have different payroll policies, reporting systems, training programs, etc. Such local ordinances would be especially problematic in communities such as Johnson County where one can drive from city to city without leaving the urban area. Businesses presently must comply with the Federal and State minimum wage laws and a third level of legislation in the area of minimum wage is not needed. ([Attachment 6](#))

In response to a question from the Chair asking how the bill would be in conflict with union contracts with minimum wages and with federal wage laws. Bob Nugent, Revisor of Statutes, stated **SB 520** provides for a federal preemption, but does not know what impact the legislation would have on collective bargaining.

Mr. Leatherman, in response to Committee questions, stated the “living wage” ordinances are relatively new so there is very little information about the impact on job creation; however, historically, minimum wage increases do not create jobs. There are some studies that reflect that Baltimore, which has the longest history with the living wage ordinance, is experiencing economic loss due to the super minimum wage imposed in its city.

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The hearing was concluded.

The Chair informed the Committee that **SB 520, SB 265 and SB 432** would be considered for action at its meeting tomorrow.

The meeting adjourned at 9:00 a.m.

The next meeting is scheduled for February 9, 2000.