

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

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

All members were present.

Committee staff present:

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

Conferees appearing before the committee:

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

Others attending:

See attached list.

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

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

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

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

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

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

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

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

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

CONTINUATION SHEET

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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