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KURT SCHAEFER
19TH DISTRICT

June 12, 2015

Dear Senators:

The purpose of this letter is to make you aware of the problems associated with two pending local ordinances to raise the minimum wage to \$15 per hour in Kansas City and St. Louis. Not only are these proposals in clear violation of multiple state statutes, but they would also dramatically threaten the economy of our State.

Legal Problems

1. Section 67.1571, RSMo., which has been in effect since 1998, states that "No municipality as defined in section 1, paragraph 2, subsection (9) shall establish, mandate or otherwise require a minimum wage that exceeds the state minimum wage." The term "municipality" is defined in Section 67.1401 as "any city, village, incorporated town, or county of this state[.]"
2. Section 71.010 states that "any municipal corporation in this state, whether under general or special charter, and having authority to pass ordinances regulating subjects, matters and things upon which there is a general law of the state, unless otherwise prescribed or authorized by some special provision of its charter, shall confine and restrict its jurisdiction and the passage of its ordinances to and in conformity with the state law upon the same subject." Missouri courts have stated that "because section 71.010 limits a city's authority to enact ordinances to those that are in harmony with state law, any City ordinance that conflicts with state law is one that is enacted outside the scope of City's authority." (*City of St. Peters v. Roeder*, Mo.App. E.D. 2014, citing *Western, Inc. v. Community Fire Protection Dist. of St. Louis County*, 636 S.W.2d 65, 67 (Mo. banc 1982)).
3. Because Missouri's state minimum wage established in Section 290.502, RSMo., currently stands at \$7.65 per hour, neither St. Louis nor Kansas City have any legal authority to enact ordinances raising the minimum wage in their respective municipalities to anything above \$7.65 per hour.

While the legislature passed House Bill 722 this year to reinforce the legislative intent on minimum wage, the prohibition on St. Louis and Kansas City from passing higher than state minimum wage ordinances is not contingent on HB 722 becoming effective on August 28. As stated above, cities are already prohibited under existing law from requiring employers to pay higher than state-set minimum wages. It is important to note that William D. Geary, the City Attorney for Kansas City, submitted the attached memorandum to Mayor James and members of the City Council during this year's discussion on the city's legal authority to authorize a municipal minimum wage ordinance which concludes that Kansas City does not have legal authority to exceed the state minimum wage.

Preventing an Economic Disaster

The General Assembly has spent considerable time developing public policy designed to help St. Louis and Kansas City. Political stunts by St. Louis and Kansas City elected officials, such as the proposed minimum wage ordinances, are therefore disappointing and potentially devastating for Missouri's overall economy. I have spoken with numerous small business owners located in St. Louis and Kansas City who have told me that their businesses simply cannot sustain a \$15 per hour minimum wage. Requiring businesses to pay a \$15 per hour minimum wage would only result in fewer jobs, higher prices, and a continued stagnation of economic growth. The citizens of our state want a solution to the stagnant economic climate, they don't want it made worse.

While the mayors of Kansas City and St. Louis often refer to their respective cities as the main economic engines of the state, there was a time when they were considered economic engines for the country. While I respect much of what Mayor Slay and Mayor James have tried to accomplish during their time in office, if they continue in their quest to raise the minimum wage to \$15 per hour, not only will they harm the economies of their cities, they could cause a tremendous amount of damage to our state's economy. The General Assembly cannot let that happen.

In the event that St. Louis and Kansas City move forward with a \$15 minimum wage while clearly lacking legal authority to do so, the only way employers will have the money to pay those wages is if the General Assembly takes immediate action to eliminate the 1% earnings tax currently imposed in both cities. The earnings tax is a third layer of income tax on top of state and federal income taxes, and it applies to anyone who lives, works, or has a business in the city limits of St. Louis or Kansas City. Furthermore, if the goal of the proposed minimum wage hike is to put more money in peoples' pockets to later spend in the local economy as stated by Mayor Slay, the best way to accomplish this is to allow the more than 12,000 businesses and all of their employees to keep 1% of their paychecks.

If we want our cities and our State to thrive and grow, we must stop penalizing productivity through duplicate and burdensome taxes and higher costs. Together, through common-sense reforms, we can prevent misguided policies in St. Louis and Kansas City from forcing businesses and taxpayers out of the state.



Kurt Schaefer
Missouri State Senator
District 19