

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

January 29, 2001

3:15 p.m.

MEMBERS PRESENT

Representative Lisa Murkowski, Chair
Representative Andrew Halcro, Vice Chair
Representative Kevin Meyer
Representative Pete Kott
Representative Norman Rokeberg
Representative Harry Crawford
Representative Joe Hayes

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 81

"An Act extending the termination date of the Board of Dental Examiners."

- HEARD AND HELD

HOUSE BILL NO. 56

"An Act relating to minimum wages."

- HEARD AND HELD

PREVIOUS ACTION

BILL: HB 81

SHORT TITLE: EXTENDING BOARD OF DENTAL EXAMINERS

Jrn-Date	Jrn-Page		Action
01/19/01	0130	(H)	READ THE FIRST TIME - REFERRALS
01/19/01	0130	(H)	L&C, FIN
01/19/01	0130	(H)	REFERRED TO LABOR & COMMERCE
01/29/01	Text	(H)	L&C AT 3:15 PM CAPITOL 17

BILL: HB 56

SHORT TITLE: MINIMUM WAGE

Jrn-Date	Jrn-Page	Action
----------	----------	--------

01/12/01 0071 (H) READ THE FIRST TIME - REFERRALS
01/12/01 0071 (H) L&C, FIN
01/12/01 0071 (H) REFERRED TO LABOR & COMMERCE
01/16/01 0104 (H) COSPONSOR(S): HARRIS
01/19/01 0134 (H) COSPONSOR(S): MULDER
01/29/01 Text (H) L&C AT 3:15 PM CAPITOL 17

WITNESS REGISTER

REPRESENTATIVE HUGH FATE
Alaska State Legislature
Capitol Building, Room 416
Juneau, Alaska 99801
POSITION STATEMENT: Sponsor of HB 81.

ROGER WORTMAN, Staff to Representative Pete Kott
Alaska State Legislature
Capitol Building, Room 204
Juneau, Alaska 99801
POSITION STATEMENT: Spoke for Representative Kott, sponsor of
HB 56.

ED FLANAGAN, Commissioner
Department of Labor & Workforce Development
P.O. Box 21149
Juneau, Alaska 99802-1149
POSITION STATEMENT: Spoke on various aspects of the department
with respect to HB 56 and Governor Knowles' proposed minimum
wage legislation.

JOHN BROWN, President
Fairbanks Central Labor Council
819 1st Avenue
Fairbanks, Alaska 99701
POSITION STATEMENT: Spoke about HB 56 and the governor's
proposed minimum wage legislation.

ROXANNE SMITH, Waitress
Hangar on the Wharf Restaurant
4020 Deborah Drive
Juneau, Alaska 99801
POSITION STATEMENT: Testified on HB 56 and the proposed minimum
wage with regards to wait staff.

JACK AMON, President
Alaska Restaurant and Beverage Association
627 W. 3rd

Anchorage, Alaska 99501
POSITION STATEMENT: Spoke about HB 56.

FRED ROSENBERG, Owner
Red Robin Restaurants of Anchorage
4450 Cordova Street
Anchorage, Alaska 99503
POSITION STATEMENT: Spoke about HB 56.

BILL PARGETTER, Owner
Applebee's Restaurant of Anchorage
4331 Credit Union Drive
Anchorage, Alaska 99503
POSITION STATEMENT: Spoke about HB 56.

ACTION NARRATIVE

TAPE 01-7, SIDE A
Number 0001

CHAIR LISA MURKOWSKI called the House Labor and Commerce Standing Committee meeting to order at 3:15 p.m.

HB 81 - EXTENDING BOARD OF DENTAL EXAMINERS

Number 0040

CHAIR MURKOWSKI announced the first bill to be heard would be HOUSE BILL NO. 81, "An Act extending the termination date of the Board of Dental Examiners."

REPRESENTATIVE HUGH FATE, Alaska State Legislature, sponsor of HB 81, introduced the bill and had the following testimony:

Under Alaska Statute 08.03.101 (c) (7), the Board of Dental Examiners will terminate on June 30, 2001. A report released by the legislative budget and audit committee recommended that the legislature extend the board's date to June 30, 2005. This is what House Bill 81 accomplishes. The regulation and licensing of qualified dentists and hygienists benefits the public's safety and welfare. The board contributes to the safeguarding [of] the public interests by ensuring competences and integrity of dentists and dental hygienists. As a retired dentist, I believe the board provides an invaluable service and should continue to do so.

REPRESENTATIVE FATE said the Board of Dental Examiners and the Dental Society would like to make some amendments to HB 81 regarding the Dental Practice Act itself. He asked that the bill be held until the amendments are available, and he would then introduce them to the committee.

CHAIR MURKOWSKI stated the committee received a copy of the audit on Friday. She understood that Representative Fate had not had an opportunity to see the letter or understand that there were some potential amendments until this morning. She said that the committee would like to give the board an opportunity to consider the suggestions and proposals.

CHAIR MURKOWSKI said that since the bill had been introduced to the committee, when the amendments to HB 81 are ready, it can be rescheduled and would fall under bills previously heard. [HB 56 was held over.]

HB 56 - MINIMUM WAGE

Number 0339

CHAIR MURKOWSKI announced that the next item of business would be HOUSE BILL NO. 56, "An Act relating to minimum wages."

ROGER WORTMAN, Staff to Representative Pete Kott, sponsor of HB 56, stated that HB 56 increases the minimum wage from \$5.65 to \$6.40 per hour the first year, and then to \$6.90 per hour the second year.

MR. WORTMAN stated that Alaska lags behind other West Coast states, while the cost of living in Alaska is equal to or higher than in those other states. He said the last minimum wage increase was in October 1997, and with increased inflation and cost of living, it is time for wage adjustments. He asked the committee to support HB 56.

Number 0464

REPRESENTATIVE HALCRO referred to page 2, section 2, subsection (c), which addresses school bus transportation for bus drivers with the Department of Education and Early Development (EED). He said bus drivers' wages are tied to twice the minimum wage; if the minimum wage is raised, the bar will be raised for school bus drivers. This will have a direct impact on the cost of transportation for education.

REPRESENTATIVE KOTT said he had not seen a fiscal note from EED to determine how this increase in minimum wage will affect its [department's] cost. He said that right now, school bus drivers are at a premium and are paid more than minimum wage; they are having a hard time getting drivers in various areas around the state. He said there would be adjustments to their minimum wage based on this bill, but it was passed into law a few years ago [tying school bus drivers' wages to twice the minimum wage].

MR. WORTMAN referred to an occupational survey done two to three years ago by the former Department of Labor. He said according to data from the fourth quarter of 1998, there were roughly 14,500 workers with wages between \$5.65 and \$6.50 per hour and the survey did not list specific occupations.

REPRESENTATIVE MEYER explained that "we" don't know how many people are working at the \$5.65-an-hour wage because the 14,500 workers refer to the range [between \$5.65 and \$6.50]. He asked if it was known how many of these 14,000 people were heads of households, high school kids, or people just wanting part-time jobs.

Number 0723

REPRESENTATIVE KOTT responded by saying that those numbers are not available by age group. He said the report was from the fourth quarter of 1998, a select quarter which may not be truly indicative of the number of Alaskans earning minimum wage.

REPRESENTATIVE KOTT said many of those low-end wage earners work in part-time positions in the fishing or tourism industries and in the canneries. He said he suspects the number of part-time personnel would be larger based on the number of college students who work in those various fields.

REPRESENTATIVE MEYER said he would like information on how many of those 14,000 people making between \$5.65 and \$6.50 work in the restaurant industry. He said the restaurant industry pays closer to minimum wage and tips are added on top of that. So to say they are getting minimum wage probably isn't totally accurate.

REPRESENTATIVE KOTT said in the report [occupational survey done by the former Department of Labor] stated that 32 percent were working in the restaurant and beverage industry; it was broken down to that extent. He said he wasn't aware of a breakdown for

age group or single-parent workers.

REPRESENTATIVE CRAWFORD informed the committee that according to the governor's report, 70 percent of those receiving minimum wage are adults, with many employed in seafood processing, food service, daycare, retail, security, and delivery services.

Number 0949

REPRESENTATIVE ROKEBERG said the committee does not have the information before them to make a decision on who is really being impacted. He said the department had indicated there were 14,500 people, but of those, 6,000 are in the hospitality or restaurant industries. He asked whom it is that "they" are trying to help.

REPRESENTATIVE ROKEBERG stated that the passing of this bill [HB 56] might help the state budget significantly by reducing the number of people receiving Alaska Temporary Assistance Program (ATAP) benefits; keeping people moving forward in the program.

MR. WORTMAN said this [legislation] would affect the quality of life for those 14,500 people who struggle with basic necessities including food, shelter, clothing, fuel, and transportation. He said the information regarding the percentage of young people or first-time job holders [earning minimum wage] was not available.

REPRESENTATIVE ROKEBERG said it is possible that 6,000 [of the 14,500] people earning minimum wage work in the restaurant industry. He said these people are actually making more than minimum wage when tips are factored in. He said Alaska is not one of the 43 states that allow a tip credit. He asked Mr. Wortman if the actual number of people earning minimum wage might be more like 8,000 [people], instead of 14,500.

MR. WORTMAN answered by saying, "If indeed the 6,000 is correct."

REPRESENTATIVE ROKEBERG reiterated that he would like to hear more information about whom they are trying to help [by raising the minimum wage]. He said the job market, in the crucible of free enterprise, is setting wages to a large extent. He said this is found not only in Alaska but also in Washington [State], Oregon, and California, which like Alaska don't have a tip credit and do have minimum wages that are similar to [those proposed in] the bill that Representative Kott introduced.

Number 1146

CHAIR MURKOWSKI pointed out that the purpose of having this bill heard early is to get some of the questions out on the table. She was pleased to see Jim Nordlund, Director, Division of Public Assistance, Department of Health & Social Services (DHSS), here to talk about the ATAP component of minimum wage. She said this is the first hearing on minimum wage and it is important to let the DLWD know what the committee's information needs are.

REPRESENTATIVE KOTT revisited the question of whom "they" are trying to help. He said he would submit that "they" are trying to help all people who are making \$5.65 [an hour], whether they are on one of the state's assistance programs or are high school seniors, because they have the same cost of living. He said they probably wouldn't have the same conditions as others in that category. He said that while there could be 6,000 employees in the restaurant and beverage industry receiving some substantial amounts of monies in tips, they don't know how many fall within that 14,000 because many are making well above minimum wage and well above the \$6.50 [dollars an hour].

REPRESENTATIVE ROKEBERG referred back to subsection (c) [of HB 56] regarding bus drivers and asked if it was the sponsor's intention to reconfirm, as a matter of state policy, or if the drafters put the bus driver provision in the bill because it includes minimum wage.

MR. WORTMAN said he assumes the school districts fund the bus drivers and get the contracts, which have certain rules and regulations. He said he, too, would like to know, and could bring that up at the next meeting.

Number 1392

REPRESENTATIVE KOTT answered by saying it is a reconfirmation of established policy; the legislature established a minimum wage and [the provision that states] that bus drivers should be paid double. He said "they" are just elevating them to that standard based on the policy that was set three to four years ago.

REPRESENTATIVE ROKEBERG said bus drivers handle children and should be adequately paid. He said some smaller communities in the state have a hard time finding bus drivers. He said if he were a commercial fisherman in the summer and wanted to drive bus in the winter, he might be willing to do it for less than

double the minimum wage.

REPRESENTATIVE ROKEBERG suggested the committee might want to revisit the topic [double minimum wage for bus drivers] since it's included in the bill. He said the cost of transportation might be going up due to fuel increases.

REPRESENTATIVE KOTT said he did not know of a bus driver anywhere [in Alaska] making less than \$12.00 per hour, and he recalled seeing LaidLaw advertising for bus drivers in the paper and paying well above \$11.30.

Number 1500

REPRESENTATIVE HALCRO stated that if bus drivers are not attracted for less than \$11.30 per hour, the same would apply to the normal minimum wage; an employer would not be able to hire a skilled person for \$5.65 an hour but would need to pay them what the market would bear. He said if one accepts the argument for school bus drivers, it would be the same for the rest of the occupational lines as it relates to minimum wage.

REPRESENTATIVE KOTT agreed and said that in his trade he can't pay someone minimum wage but must pay a fair market wage that is well above that.

REPRESENTATIVE MURKOWSKI asked about the rationale for changing Alaska statutes. She said that traditionally Alaska has been tied to the federal minimum wage, which is .50 cents over [minimum wage], since 1959. She asked why Alaska doesn't continue to be tied to the federal minimum wage.

REPRESENTATIVE KOTT explained that the rational was that Alaska ought to control its own destiny and not rely on the federal government to dictate what the minimum wage should be. He said this gets Alaska out from underneath [the federal government's control] so that in times of economic well-being, we can adjust it accordingly.

REPRESENTATIVE ROKEBERG said there was legislation introduced in Congress that would accomplish much of what [HB 56] would, except the [Alaska] legislature would not regain control of setting minimum wage.

REPRESENTATIVE KOTT commented that Congress introduced legislation that would increase the federal rate to \$6.15, which is a \$1.00 increase. He said the situation is different up here

[in Alaska], and we don't need to tie minimum wage to the federal minimum wage.

ED FLANAGAN, Commissioner, Department of Labor & Workforce Development (DLWD), said he and the governor both appreciate the committee taking this legislation up. He said it is important legislation for Alaskan workers, particularly those that need help the most.

COMMISSIONER FLANAGAN said he would like to talk about some of the differences between Representative Kott's bill and the governor's for minimum wage.

COMMISSIONER FLANAGAN explained that the DLWD does not have age and household status data by wage category; the 70 percent figure [mentioned by Representative Crawford] was from a national survey which showed that 70 percent of minimum wage earners were adults. He said the best state-specific information the DLWD has is from the occupational employment survey; the most recent is from the fourth quarter of 1998. He said it is a good measure but shows actual wages in ranges. He said they don't have the number [of people] making \$5.65 [per hour], but the survey shows 14,400 people making between \$5.65 and \$6.74, not \$6.50.

COMMISSIONER FLANAGAN said according to the survey, 32 percent represents [minimum wage employment in] eating and drinking places, not 6,000 [people] but 4,664, and includes untipped employees. He said the DLWD might be able to break down some information by occupation for wait staff personnel in the average annual jobs by monthly average. He said the DLWD could try to refine some of that data for the committee.

COMMISSIONER FLANAGAN said when considering an increase to the minimum wage, it is important to not just consider those at minimum wage right now, because it will help all people under the new proposed increase. He said the \$6.74 cutoff, under the second year of Representative Kott's bill, represents the low number for the people who got a raise. He said the occupational employment survey is only done in the fourth quarter, which is not likely to be the high quarter for low-wage employment because that would be October through December. He said the actual number of people making less than \$6.75 per hour would most likely be higher in the third quarter.

COMMISSIONER FLANAGAN explained that doing an ad hoc survey to look at the third quarter would be pretty expensive. He stated

"they" [the DLWD] looked at job orders last week in the Anchorage and Mat-Su Valley job centers and found 454 open job orders. He said employers could have been looking for one employee or for four employees. He said only 12 of the 454 were paying the minimum wage; 146 didn't state a wage but were listed as "depending upon experience." Out of 308 [job orders] that listed the wage, 12 said \$5.65 and 25 said \$6.40 per hour and under.

COMMISSIONER FLANAGAN said the Anchorage job center had 4,000 total job orders for the second half of [year] 2000; one third did not state a wage, and of the 3,000 that did state a starting wage, approximately 150 or 1.5 percent paid \$6.40 per hour or less. He said of those 150, about 50 were paying minimum wage. He explained that employers are listing jobs with the DLWD that pay minimum wage; many are in the beverage industry, but in other industries too.

COMMISSIONER FLANAGAN said the breakdown from that fourth quarter of 1998 [from the occupational employment survey] for the 14,400 people earning minimum wage included: 32 percent in eating and drinking places; 8.75 percent in amusement and recreation services; 5 percent in educational services; 4 percent in government; and 4 percent in food and kindred products, which includes mostly seafood workers.

COMMISSIONER FLANAGAN addressed the differences between Representative Kott's bill [HB 56] and that of the governor. He said the governor's bill has earlier effective dates, with the increase [in minimum wage] to take place on October 1 of each year in question. He said Congress does not address the issue of increasing the minimum wage as often as it should. He said it was done fairly regularly prior to 1981, and the federal minimum wage kept pace pretty well with inflation, which was a bipartisan effort. He said between 1981 and 1990 there was no increase in the federal minimum wage and thus no increase in Alaska's minimum wage.

COMMISSIONER FLANAGAN said the [Alaskan] administration had not introduced this legislation for the past two to three years because there was supposed to be federal legislation that would make an increase. He said after the 1996 and 1997 increases, the Alaskan legislature didn't want to confuse the issue if it was going to happen.

COMMISSIONER FLANAGAN said Congress seems incapable of taking care of minimum wage, and there is a proposal in at the moment,

but the administration has said that it would only support it if the states could opt out. He said this doesn't make sense for a federal minimum wage because the states can set their own wages for non-federal "stuff" now.

COMMISSIONER FLANAGAN said the governor did introduce this bill now because it doesn't look like Congress can get around to doing it. He said Alaska's minimum wage should be \$6.50 per hour, which is what it would have been, had the initiative been successful. He said the initiative failed by 1,000 signatures last year to be put on November's ballot.

COMMISSIONER FLANAGAN said "we" need to give employers time to prepare [for increases in minimum wage] and to phase in the increase, in two steps, to get to a minimum of \$7.15 per hour. He said if the federal government ever did increase [minimum wage] to \$6.15, Alaska would be \$1.00 over the federal wage.

CHAIR MURKOWSKI asked how the minimum wage numbers in the bills were derived.

COMMISSIONER FLANAGAN said a four-member family with the two parents working 60 hours per week and making \$7.15 [per hour] would be at 105 percent of the poverty level for 2000. He said by the time the \$7.15 [proposed minimum wage] kicks in, they would be around or just under the poverty level.

Number 2227

COMMISSIONER FLANAGAN said the proposed minimum wage increase puts Alaska pretty much in line with what other West Coast states are paying. He said 30 percent of those migrating to Alaska come from California, which has a minimum wage of \$6.25 that will rise to \$6.75 next year. Washington [State] has just gone to \$6.72 with its first Cost of Living Allowance (COLA).

COMMISSIONER FLANAGAN said the low-wage employers would get advance notice, but October 1 is a more appropriate [start date] than January 1 for the raises. He said:

The other difference is, of course, ... not only the \$7.15 but in the out years, the cost of living increase. Now, people have a lot of different opinions about COLA, when you are applying a COLA to someone who makes \$50,000 or \$75,000. Well maybe there is a point in taking issue with that. I don't know. But the Consumer Price Index (CPI) has been

readjusted federally in the last couple of years to more accurately reflect differences in purchasing power and replacement items and things like that. ... It has been toned down somewhat in its impact, and when we look at what we are applying the standard of living [to], we are applying the CPI to somebody at the poverty level, at best, if we go to \$7.15. I don't think that it is unreasonable. It also lets everybody know what to expect, as far as we can project future increases.

COMMISSIONER FLANAGAN commented that last year's legislature addressed the problem with workers' compensation benefits, which hadn't gone up for 17 years and that tied compensation benefits to the average weekly wage in Alaska; the minimum and maximum benefits will go up some, with time.

COMMISSIONER FLANAGAN reiterated that the primary differences [between Representative Kott's bill and the governor's] are the effective dates, the different amount, and the CPI. He urged the legislature to look seriously at a CPI adjustment to keep pace with basic inflation.

CHAIR MURKOWSKI said the [proposed minimum wage of] \$7.15 per hour would put Alaska at the top.

COMMISSIONER FLANAGAN affirmed that on October 1, 2002 Alaska would have the highest minimum wage, with Washington's reaching \$7.08 in January 2003. He said Alaska has been at the top for 30 years because Alaska has paid .50 over the federal [minimum wage].

CHAIR MURKOWSKI said it is no longer as expensive to live in Alaska as it once was, and it is far more expensive to live in metropolitan areas such as San Francisco, Seattle, or other places in the Lower 48. She asked how the drop in cost of living was being adjusted for, in increasing the minimum wage.

COMMISSIONER FLANAGAN said the cost-of-living differential is the counterweight to the per-capita income not being the top of the heap like it was for years. He said if the federal government didn't go up to \$5.15 and Alaska is up to \$7.15, it would represent a 40 percent increment. He said in 1959 Alaska was saying that Alaskans should make 50 percent more; now it's 10 [percent].

Number 2433

COMMISSIONER FLANAGAN explained that most of Alaska's basic costs have not gone down when compared with the rest of the country except for certain areas like Boston, San Francisco, or Seattle. Responding to another question, he stated that the DLWD does not track individual wage files and the length of time an individual works at minimum wage.

REPRESENTATIVE MEYER said it is realistic to think some employers will start employees out at minimum wage and then boost them up once they have proven themselves and look like they are going to work out. He said it would be good to know how long people stay at minimum wage.

REPRESENTATIVE MEYER said he also believes that "we" need to help those that need the help the most. He said if there are heads of households making minimum wage, they need some help. He explained that some employers are willing to hire handicapped people and start them out at minimum wage knowing that they are not going to perform as efficiently [as others might].

Tape 01-7, SIDE B

COMMISSIONER FLANAGAN said the research and analysis section of the DLWD does not track people who make sub-minimum wage, but the Division of Vocational Rehabilitation (DVR), DLWD, might, since there is a provision in the law for a sub-minimum wage for people in certain types of programs.

COMMISSIONER FLANAGAN said the legislature should keep in focus that it is a minimum that is being set. He recognized that the market determines the vast majority [of wages], but over the years it has become obvious that government has a place in setting the floor; the floor is not being set very high even at \$7.15 [per hour] two years from now.

COMMISSIONER FLANAGAN stated there is a basic equity for an 18-year-old kid or a disabled person who might not otherwise have a job, and he asked, "What is that time out of their life worth?"

COMMISSIONER FLANAGAN said the last time the minimum wage went up, people said it would kill jobs in the beverage industry; but that didn't happen, and the monthly average employment in the food and beverage industry in 1997 went up 4 percent, the year the second of the last two increases took effect. [Average monthly employment] went from 1.3 percent the next year to 3 percent the following year, which is well in excess of the

averages for statewide employment for all jobs.

COMMISSIONER FLANAGAN said there is much less debate about the job-eliminating effects of a minimum wage increase [now].

REPRESENTATIVE MEYER asked if the increased cost of the minimum wage was passed on to the consumer by increasing the cost of living.

COMMISSIONER FLANAGAN said much of the cost probably was passed on to the consumer, which he thought was justified.

CHAIR MURKOWSKI returned to the issues of sub-minimum wage for people who might be handicapped and exemptions from the minimum wage in statute that relate specifically "to physical or mental deficiencies, age or injury." She said it also states that "they are subject to the restrictions and for the period of time that are fixed by the commissioner." She asked Commissioner Flanagan about those restrictions and the periods of time.

COMMISSIONER FLANAGAN said in his two years as commissioner, he does not believe there have been any petitions of that nature. He said there might be some ongoing [petitions] that predate him, and the DLWD could provide the information.

CHAIR MURKOWSKI referred to subsection (2) and (3) of AS 23.10.070 which states: (2) an apprentice at the wages that are approved by the commissioner; or (3) a learner at the wages and subject to the restrictions and for the periods of time that are fixed by the commissioner.

COMMISSIONER FLANAGAN said that section was pretty much obsolete because it goes back to when the minimum wage was higher and construction wages were lower. He said, "You could have had an apprentice." He said he thought she was referring to law from the 1960s. He referred to the youth provision in effect. If an employer has an employee under the age of 18, and they work 30 hours or less per week, the employer is exempt from [paying] the employee Alaska's minimum wage. He said employers can create opportunities for youth under this provision and are bound by the federal minimum wage. He said that after age 18 the employer would be bound by the Wage and Hour Act.

REPRESENTATIVE ROKEBERG referred back to the exemptions to minimum wage and verified with Commissioner Flanagan that he did not recall signing any requests which would allow an employer to pay an employee the learner wage.

COMMISSIONER FLANAGAN reiterated that the learner request is basically obsolete and transitioned in the direction of apprenticeships. He said the DLWD could check the administrative and legislative history.

REPRESENTATIVE ROKEBERG said [Tom Cashen], the former Department of Labor's commissioner, indicated there had never been an approval by the DLWD's commissioner for any form that would approve a learner's wage. He said Alaska Statute 23.10.070 provides for an exemption for a learner wage but historically there has never been an approval by the commissioner of labor for one. He said last year this committee had legislation on the subject.

Number 2147

REPRESENTATIVE ROKEBERG emphasized that he would like to see this area of legislation be addressed since it is germane to the exemptions under minimum wage and how they work, particularly in relationship to the disabled community. He wasn't sure if the disabled community was aware that there is the possibility of an exemption under the law.

COMMISSIONER FLANAGAN said the DVR branch could address the federal legislation that allows for handicapped exemptions in certain cases, which he believes is utilized in Alaska.

REPRESENTATIVE ROKEBERG mentioned the occupation employment survey [which referred to the minimum wage ranging from \$5.65 to \$6.74] and said it is conceivable that some [of those 14,500] people are being paid above the minimum wage. He said the committee is not sure what the numbers are. He said Alaska does not have good statistics on a lot of things.

REPRESENTATIVE ROKEBERG referred to Commissioner Flanagan's advocacy of the CPI, which he said is very inflationary, and he asked:

Isn't it true that [one of] the basic tenets of organized labor [is] that collective bargaining is something that is sacrosanct and kind of a key principle to organized labor and its relationship to business?

COMMISSIONER FLANAGAN said he didn't see the relevance in this context. He went on to say that in this regard they

are talking about people that are almost, without exception, unrepresented by a union.

REPRESENTATIVE ROKEBERG said as a legislative body, "they" are to act on the law to allegedly protect the interest of workers. He said to him it goes against the whole concept of collective bargaining where labor and management are at the table bargaining; politicians and government are bargaining on behalf of workers with business only marginally represented.

COMMISSIONER FLANAGAN explained that if labor and management were involved, as in a collective bargaining relationship, the workers would probably be making well in excess of the minimum wage, so it wouldn't be an issue. He said it is entirely appropriate for government to establish a floor for workers whether they are unionized or not; this has been the policy of our country since 1934.

COMMISSIONER FLANAGAN referred back to the eating and restaurant component [of the industry] that has been growing at 3 to 4 percent and the issue of the lack of effect from the last minimum wage increase. He said there have been more high-end eateries in Anchorage over the last four years, which seem to be doing pretty well. He said not a lot are going out of business, as projected would happen if the businesses weren't spared the \$.40 minimum wage increase. He said the growth supports the contention that it has not had an adverse effect on businesses, but he admitted that there had not been a survey done.

REPRESENTATIVE ROKEBERG communicated that in Juneau many restaurants have gone out of business in the last four or five years. He said the tourism industry has been one of the only areas of growth in the economy during the last couple of years, and he thinks the eating and restaurant are tied directly to that particular industry.

COMMISSIONER FLANAGAN said the average monthly employment over the course of the year has gone up; many sectors besides tourism have enjoyed employment growth over the last six years.

REPRESENTATIVE ROKEBERG asked if there is any way to measure the effect that raising the minimum wage has on cutting benefits.

COMMISSIONER FLANAGAN said the DLWD does not have information on benefits because they only survey wages. He said it could be the case [that business might have to cut back on benefits]. He conjectured that the bulk of employers paying under the \$6.50-per-hour range don't provide benefits.

Number 1857

REPRESENTATIVE HALCRO said government does have a role [in affecting change in the minimum wage], but he is concerned that the committee is being asked to make a major policy change, which will have a significant impact on employers, with only anecdotal evidence. He referred back to the sponsor's testimony, the governor's press release, and Commissioner Flanagan's testimony that included information from Jim Nordlund, Director of Public Assistance. He said that numbers are being thrown around but he is not sure if there is anything concrete.

COMMISSIONER FLANAGAN said the percentage of poverty level someone makes at this wage [minimum wage] is the main issue for him, and one could [even] argue the [validity of the] poverty level set by the federal government. He said:

But \$20,000 for a family of four in this state, I don't care where you live and how much the prices have gone down compared to other places in the state, and that if a single mom with two kids is making this wage, whether she is making it for three months or a year or two years - is making 66 percent of that poverty level - I think that is unconscionable. I think that these statistics are plenty to hang our hat on, and we will certainly ... try and refine them as much as we can without getting into any voodoo numbers. We are trying to give you the best real numbers we have. And I don't think federal studies, in terms of a percentage, ... that 70 percent are adult, are necessarily meaningless when they are applied to Alaska. We are different, but we are not all that different. We are providing the best information we have. We will certainly try and do better.

REPRESENTATIVE ROKEBERG asked the committee how many businesses would close if the minimum wage were raised. He also asked how many of those 14,000 people are actually the heads of

households. He said the vast majority of these people [making minimum wage] are young and are just starting out.

COMMISSIONER FLANAGAN said he did not think that young people just starting out represented the vast majority. He then referred to a survey of the National Federation of Independent Business (NFIB) members; the majority who responded didn't like it [an increase in minimum wage], but two-thirds didn't think that it would have an impact on their businesses.

CHAIR MURKOWSKI referred to the NFIB survey conducted on January 24, 2001, and said there were a fair number of people who did not respond to all of the questions. She referred back to Representative Halcro's concern about whom the 14,500 includes [receiving minimum wage]. She said the survey indicates that of those surveyed there were more people in the 15-to 18-year-old age bracket than any others, and 31 percent were not heads of households. She said "we" have limited hard and fast numbers in Alaska, but the current ones from Alaska indicate the very opposite of what Commissioner Flanagan has said.

COMMISSIONER FLANAGAN said the DLWD would get the committee the best information possible.

Number 1564

REPRESENTATIVE CRAWFORD said he started out at minimum wage, and when he left there were more adults working at minimum wage than kids coming to work. He said earning minimum wage is part of the social contract that people in organized labor have fought for, like [other employee protection] issues such as workers safety, unemployment insurance, and workers' compensation. He said this is the basic floor under the people at the bottom end of the employment force.

REPRESENTATIVE CRAWFORD said Roxanne Smith, an employee of The Hangar on the Wharf Restaurant ("The Hangar"), was present and is a good example of a person who would benefit from an increase in the minimum wage; she is the head of household with two kids, and her total wages for last year totaled \$11,000. This [proposed wage increase] would help her get out of poverty. He said he is disappointed the committee is not going with the higher bill but would go along with HB 56 if it were a sure thing. He said it is absolutely essential to raise the minimum wage as soon as possible.

REPRESENTATIVE HALCRO said the committee, before making a policy

change, wants to ensure that the minimum wage increase will help those that need it the most. He went on to say that a percentage of the workforce is seasonal, with people making minimum wage but taking that employment understanding there will be tips. He reiterated that the committee needs more information.

Number 1347

JOHN BROWN, President, Fairbanks Central Labor Council, spoke in favor of the bill. He urged the committee to consider some of the points in the governor's bill as it relates to earlier effective dates, a tie to the CPI, and a higher [minimum wage] rate. He said "we" owe Alaska due consideration of this bill because we owe it to the people making these wages; that they have the essential needs for their quality of life.

MR. BROWN said he did not know how Roxanne Smith, the woman working at The Hangar, could even come close to meeting her needs. He said the minimum wage needs to be raised soon.

Number 1189

ROXANNE SMITH, Waitress, The Hangar on the Wharf Restaurant, said people in the industry do make minimum wage and not everyone makes tips. Many people think that making tips allows one to continue to live. Many people from Europe and Canada do not tip but the workers still get charged 8 percent of the sale; this is taken out no matter what, and paid to the government. She said:

This doesn't count for people who walk out on their tickets. Lots of people come in, eat, leave. We pay for that because most of the time wait staff is also in charge of the money. So we have a report [and] everything is computerized at the end. It gives us a report, which is what we owe that company. And if there is a walkout, it is our responsibility to pay it.

We do not get health insurance. Our ... employers most of the time don't provide health insurance because it is too expensive and we are not fulltime employees. A lot of times, especially in the wintertime, we usually get maybe 25 hours a week, and that is if you've worked there long enough and [have] proven that you can stay and you are a good worker.

So a lot of people, they have their kids on Denali KidCare, food stamps [and] things like that in order to compensate. ... I couldn't imagine my wage being less.

MS. SMITH said with children she could not live on less, and with her children now she does not live on her check. She said she has been a waitress for 11 years making minimum wage, and wait staff usually never get raises. She said the only way to move up in the business is to become a manager, which requires working 50 to 60 hours a week and being on salary. She said it would not be worth it for her to leave her children for 60 hours a week.

MS. SMITH said she tries to keep her children out of childcare as much as possible, to raise them herself. She reiterated that she works between 20 to 25 hours a week and grossed \$11,000 in 2000, which included tips. She said sometimes in the winter she works fewer hours because the restaurant is not as busy, so they cut back her hours, but in the summertime she works more hours because there is a need.

MS. SMITH said they [wait staff] have to share 15 to 20 percent of their tips with the bar staff and 10 to 15 percent with those that bus the tables. The paperwork that someone completes to work in a restaurant states that the hours are varied and the employee will be paid minimum wage. She said there is no probationary period in the restaurant business, and people hired as wait staff never get a raise.

Number 0830

REPRESENTATIVE CRAWFORD asked if it is common for wait staff to get health care or retirement of any sort.

MS. SMITH said she was not aware of that happening, but that a larger company might offer it. She said nine times out of ten with the health care industry an employee would have to work a minimum of hours, usually a 30-hour work week, to get health benefits. If an employee doesn't have this number of hours, the company can't provide insurance and the worker would be more expensive for the company. If the company does offer it, the employee pays it out of his or her check, which usually runs around \$300 dollars a month with a \$1,000 dollar deductible. She said she currently has major medical insurance with a \$1,000 deductible.

MS. SMITH said her children are currently on Denali KidCare because she can't afford to have insurance for them and she receives no child support.

MS. SMITH said if she had more money due to an increase in the minimum wage, she could do more with her children, and childcare would be easier to pay for.

REPRESENTATIVE KOTT asked Ms. Smith if there is a rate of pay that is below what she would work for and that would cause her to quit.

MS. SMITH said if the minimum wage were reduced to \$2.80 per hour, there would be no way she could work because she wouldn't be able to afford childcare, which is \$35 dollars a day. She said when the topic of minimum wage comes up, people start talking within the industry [referring to a comment she made about tip credit].

Number 0570

REPRESENTATIVE ROKEBERG said there was a tip credit bill a few years ago, and a rumor was started that the minimum wage would fall to \$2.13 an hour. He said the bill up here [in Alaska] actually made an increase; no one got his or her wages cut.

MS. SMITH said she worked in Washington [State], where the minimum wage was reduced to \$2.70 or \$2.33 per hour and she was supposed to make up for it in tips; this was a few years ago when she first started working.

REPRESENTATIVE HAYES asked Ms. Smith if she knew how many 15-to 18-year-old people work at The Hangar.

MS. SMITH said most of the people who work at The Hangar are around 25 to 30 years of age; they support themselves and go to college.

Number 0360

JACK AMON, President, Alaska Restaurant and Beverage Association, stated the hospitality industry is severely impacted by increases in the starting wage. He said it is important to address who is working at this wage. He said there are two segments within the industry: the table service segment, which includes tipped employees; and the quick-service segment, which includes the fast food operators.

MR. AMON said according to their industry records, including payroll records, tipped employees in the industry generally range in salaries from \$12 to \$25 dollars per hour. He said a tip to them is not just an incidental amount of money because tips count as wages with the Internal Revenue Service (IRS). He said tips count as wages when paying payroll taxes. He said the quick-service industry includes many young people; their employers have to train them because they are just learning how to work.

MR. AMON said dishwashers, prep cooks, and so forth would be helped by [an increase in the] minimum wage. He said in Alaska they are paid substantially above the minimum wage. He said in the industry a successfully run restaurant might net between 5 to 8 percent of gross receipts; an increase in the labor cost has a significant impact on industry.

Number 0204

REPRESENTATIVE ROKEBERG asked Mr. Amon if he recalled testimony a couple of years ago regarding the La Mex Restaurant chain that had to forgo the health insurance program for over 300 employees because of the last minimum wage increase.

MR. AMON said it was an effect of the last minimum wage increase, and there was another operator who cut out vacation pay. He said it often affects the ability to give raises to people working in the back of the house such as dishwashers and prep cooks, those making \$7, \$8, and \$9 dollars per hour. He said he knows from personal experience that this can cause friction between staff working in the front and back of the house; the most highly compensated employees get minimum wage increases when they are well above minimum wage.

Number 0117

REPRESENTATIVE KOTT asked Mr. Amon to elaborate on what employers pay on the reportable tips, because he had mentioned the payroll tax. He asked if there were other [employer payments] like Medicaid, Medicare, and Social Security.

MR. AMON said they [the restaurant industry] pay "matching" on all of those programs. He said employees are required by federal law to report 100 percent of tips; employers can be subject to IRS audits and held liable on social security taxes. He referred to the Bubble Room [Restaurant] in Florida where

employees were assessed penalties on unreported tips; he said employers become liable whether the employee is honest or not. He said that credit cards [machine receipts] are a good way to track reported tips.

TAPE 01-8, SIDE A

Number 0029

REPRESENTATIVE KOTT asked Mr. Amon if the bill [HB 56] includes a tip credit provision, and if so, would it offset any minimum wage increase passed on to the employer.

MR. AMON said it would mitigate things for the table service industry but cautioned not to forget the fast food component that employs largely teenagers. He said there is a federal provision that allows an employer to employ someone under 18 years of age, for the first 90 days, and pay them less than minimum wage. He said this would greatly help that segment of the industry.

MR. AMON said the 30-hour [learner wage] provision exists in law but he has heard from the fast-food operators that the compliance is difficult and oftentimes not worth the risk. He reminded the committee, when looking at the 18-year-olds and their first jobs, not to forget about the fast-food segment of the industry.

Number 0118

REPRESENTATIVE ROKEBERG asked about the enforcement of the 30-hour rule.

MR. AMON said he had heard [that it's not worth the risk] from operators in the fast-food segment but he does not fall under that segment and couldn't give personal experience. He said the food segment of the industry was unable to be at this hearing. He thanked the committee for studying the issue and said "they" could provide testimony from the fast-food segment of the industry.

REPRESENTATIVE ROKEBERG asked Mr. Amon if he could supply the committee with the amount of payroll tax burden per dollar of increase [of the minimum wage].

MR. AMON said the Alaska Restaurant and Beverage Association would provide that information and also supply information on

low check averages from a wide range of operators, to show payroll records of what the actual tip income is from an actual payroll, not just anecdotally.

Number 0212

REPRESENTATIVE ROKEBERG asked Mr. Amon about the Alaska Restaurant and Beverage Association membership and reaching out in the state. He asked Mr. Amon if he knew whether the 4,600 [people on minimum wage] in the eating and beverage area seemed consistent with his figures.

MR. AMON said that number sounded low for tipped employees; he generally sees that amount in Anchorage alone. He said there are many restaurants that give long-serving, tipped employees raises, which may also include added responsibility. He said many operators try to offer health care, which does get cut back with mandated increases.

MR. AMON said there is an ongoing struggle in the industry to provide health care for employees as an association, to be able to pool and offer an association-based health care plan (indisc.). He said there are other reasons why it is becoming more difficult, but many employers would like to offer their employees a plan.

REPRESENTATIVE HAYES asked Mr. Amon if the mean age in his organization is above the 15-to-18 range, excluding the fast-food sector. He asked if Mr. Amon had any numbers that he could provide to the committee.

MR. AMON said he didn't know if they could provide those numbers, but operations serving alcoholic beverages have more employees over 18 years of age. He said those are the tipped, back-of-the-house employees, whether they are 18 or not. He said it is difficult to find a dishwasher who will work for \$5.55 an hour.

Number 0551

MR. AMON said people who work in his organization for a period of time are motivated to take on responsibilities even if they are not asked. He said good wait staff earn their increases by their value to the organization. He said the organization could survey its membership to provide information on wage increases based on merit. He said tipped employees are motivated more by keeping a restaurant's seats full than by a one-dollar-an-hour

raise.

Number 0617

FRED ROSENBERG, Owner, Red Robin Restaurants and Kid Zone of Anchorage, stated he has no employees making minimum wage other than [food] servers. He said there are some tipped employees that make in excess of minimum wage; they hire people that are better at their job and are paid more money.

MR. ROSENBERG said he submitted payroll records with reported tips to this committee a couple of years ago. "They" arbitrarily pulled names off a list, whited out the names, and submitted the documents at a prior hearing. He said at that time, the lowest person was making roughly \$12.00 [an hour] in tips, and the highest person was making between \$18 and \$20 dollars per hour, which was in addition to earning minimum wage. He said it was found that anyone working for the company at least three months was making more than \$17 per hour on the low side, which is reasonable compensation.

MR. ROSENBERG said tipped employees need to be segregated into two areas: tipped employees like waiters and waitresses that get direct tips; and the tipped pool group like the bartenders and hosts. He said they are all making far in excess of minimum wage. He said the issue of (indisc.) affects their industry only in a negative way. He said [raising the minimum wage] is inflationary, which drives the customer's cost up and results in less profit for the business, so the business attempts to find ways to cut expenses. He said vacation pay, medical benefits, and profit-sharing plans will have less employer contribution, especially in the cases where the employer can control the contribution.

MR. ROSENBERG said he is sympathetic to Ms. Smith's situation with two children and making her yearly wage. He said:

I have young children; I am concerned about them also. But what she was telling us sounded to me like she was a part-time worker, working in an area that has strong seasonal fluctuations. She talked about working 20 or 25 hours a week. If that is all that that restaurant can afford to have her, I am sympathetic with both the restaurant - not having enough business - and sympathetic with her not having the proper amount of hours necessary for her to make a wage that would enable her to live the lifestyle that she would like

to. I wish she could get more. But, if she's a part-time worker with strong seasonal fluctuations, that is not a minimum wage issue. There are some other things that were mentioned there about people not tipping. Even Americans don't tip sometimes, whether by virtue of ... being cheap or [from] getting poor service. But the reality is, the numbers I gave you, with respect to wages, actually taken from our payroll records, were actual wages, meaning that some people tip 2 percent - or don't tip at all - and some are tipping 20 percent or 25 percent.

MR. ROSENBERG explained that looking at credit card charges is a guideline to see what people tip. He said generally what is found is that tipped employees are doing pretty well. He went on to say the law doesn't allow a business to deduct an [unpaid] check from the server; by law, the server is not obligated to pay and the business is required to absorb it. He said the committee has to balance many issues that don't necessarily apply to any one employed person. He added that Washington [State] has not had tip credit since he could remember.

MR. ROSENBERG said "they" do give raises to minimum-wage servers after they have been there awhile or take on additional responsibilities. He said most do make minimum wage because they are compensated very well with tipped income. He also said many people work two jobs in order to work full time. He said the restaurant business, by its own nature, has fluctuations with meal periods. He said if there are servers making tips, they are probably making a "darn good wage" and are not anywhere near the poverty level.

MR. ROSENBERG said if teens and handicapped people are not being employed because of these [exemptions to minimum wage], it hurts the group.

Number 1017

MR. ROSENBERG, responding to a question from Representative Kott about the changes his business had faced in going through three to four minimum wage increases, said after the [minimum wage] increases they had to discontinue the paid vacation policy for employees starting [work] after that period. He said medical benefits have been reduced down from a co-pay or shared pay to having the employees provide it themselves.

MR. ROSENBERG referred to Ms. Smith's testimony about health

insurance costing \$300 per month; he said health insurance is running about \$150 to \$180 per month for one person, and would be more expensive with children. He said the \$300 per month would be just about right with any number of children.

MR. ROSENBERG said the decisions he made after the last increases were made at the local level, and were not franchise policies; all of the businesses operate independently.

MR. ROSENBERG, responding to a questions posed by Representative Kott about amending the bill to include a tip credit and what effect it would have on hourly wage for tipped employees, stated the policy would probably remain much like it is with respect to the direct-tipped employees; they can get time-in-service raises. He explained that adding the tip credit to the bill [HB 56] would allow there to be more money to pay the people making \$8, \$10, and \$12 dollars per hour.

Number 1183

MR. ROSENBERG commented that his company does not participate in the training wage provision because the monitoring [requirements] seem be more than they are willing to bear.

REPRESENTATIVE ROKEBERG said he does not see any requirements in state law [for monitoring].

MR. ROSENBERG answered by saying that the deterrence included the record keeping and the risk of not being in compliance. He went on to say that even if the requirements were easier, he doesn't feel they would employ anyone at that wage since they are paying more than that today. He said he didn't think they had any position starting at less than \$7 dollars per hour.

Number 1245

REPRESENTATIVE HAYES asked Mr. Rosenberg if the people who are making \$17 to \$25 dollars an hour [referring to the tip income survey done by Mr. Rosenberg] are holding two jobs.

MR. ROSENBERG assured the committee that what he quoted came right from actual payroll records for people that worked for the company. He said many of these people work another job and he assumes they make similar wages there. He said these numbers weren't averages but actual payroll records drawn at random.

Number 1304

BILL PARGETTER, Owner, Applebee's Restaurant of Anchorage, and former owner of the McDonald's Restaurants of Anchorage, said he sold the McDonald's Restaurants in 1986 after 15 years of ownership. He said the average rate [of pay at Applebee's] is \$11.04 per hour including (indisc.) and excludes tip income. He said he employs 75 to 80 people: 50 are in the tip classification, and 75 percent of those 30 to 40 are in the \$5.65-an-hour minimum wage classification. He said they also receive \$8 to \$10 per hour in direct tips, which they pay taxes on.

MR. PARGETTER said the credit card tips in year 2000 equaled 13.43 percent [for his company], with cash tips possibly being a little lower. He said the company encourages employees to report tips, and employees at \$5.65 per hour are making considerably more than the minimum. He said he does not have an employee outside of this group that makes \$5.65 an hour.

MR. PARGETTER stated the fast-food business has entry-level jobs that employ people with little work experience. He said the minimum wage "we" paid in those days [when he worked in the industry] could keep employees working for the company up to six months. He said the company employed 850 entry-level employees, and some would remain at minimum wage because of their value. He said perhaps the committee could look at what type of job and/or training credits can be given, instead of worrying about the minimum wage to give people a positive approach when considering entry-level positions.

MR. PARGETTER reiterated that no one is being paid close to minimum wage now. He said as additional costs are incurred in wages, representing roughly 30 percent of base costs and the number-two cost next to food and beverages, it is the lower paid employees that get cut from the company, and the company is cutting out the very person that [the minimum wage] is targeted to help.

Number 1517

MR. PARGETTER said their company has a medical plan that went from paying 100 percent to paying 50 percent; it is a high-end cost that continues to climb, and when getting squeezed [financially] they would look at it again. He said the company had vacation pay at his three other independent restaurants [in Anchorage]; two he closed due to cost problems. Harry's Restaurant, the last one he had, had full vacation pay. He said

he has not adopted it at the current restaurant because he knew there were some costs coming up in 2001.

MR. PARGETTER closed his testimony by using examples of Applebee's in California, which has a minimum wage with no tip credit like Washington [State] and Oregon do. He said 42 of the 50 states have tip credit programs, not all as tough as California's, which has had it the longest. He relayed that the Applebee's in Southern California are having a tough time because the minimum wage has tightened the situation such that they can make better money in another industry. He said it doesn't take much when a company is netting 5, 6, or 7 percent for those things paternally.

MR. PARGETTER said the wait staff make \$5.65 per hour and also do some housekeeping routines. He said the training position is paid \$1.00 an hour more and requires additional education, test passing, and duties including training new employees.

REPRESENTATIVE HALCRO asked Mr. Pargetter if there was ever a time, as the owner of McDonald's [in Anchorage], when the market conditions didn't allow him to hire a person at minimum wage because no one would work for that.

MR. PARGETTER said they were not paying employees minimum wage in 1986 either. He said today an employee would not work for less than \$7 dollars per hour. He said there is competition with the fast-service restaurants for hostess type positions; tipped employees that make an additional \$3 to \$4 dollars on the base wage.

Number 1700

REPRESENTATIVE ROKEBERG asked Mr. Pargetter what he pays for the training program and if he has employees under 18 years of age utilizing the 30-hour provision of the Wage and Hour Act.

MR. PARGETTER said his companies in Anchorage have not used the training program provision but said he would look into it. He said in his restaurants that serve alcohol, having someone under the age of 21 becomes a liability, which they haven't been willing to take.

MR. PARGETTER said they like [to hire] people with a little experience, which is different from a fast food establishment. He said in the fast service restaurant business you are getting kids that have never worked in their lives and one becomes a

second parent; problems that one doesn't have as a normal boss. However, he said they would consider it [use of the learner's wage]. He said when he was in the fast food service business before he thought he looked at some of the potential programs to help with labor costs. He said with 850 employees it would have been an area that the company would have taken advantage of. However he said sometimes those [cost saving] programs on a small scale are not worth the headache.

Number 1820

REPRESENTATIVE KOTT referred back to Mr. Pargetter's comment that increases in the minimum wage would hurt those that it was trying to help. He verified that he had heard that correctly.

MR. PARGETTER said that was correct. He said a business going from 85 employees to 75 because of costs would most likely leave off the least-experienced people and ask the other 75 to work a little more. He said across the country, over the years, and from what he's read, every time there is an increase in the minimum wage, the low-skilled people are the losers and the highest-skilled employees benefit.

MR. PARGETTER explained that an experienced server could handle five tables with some ease, and an inexperienced server is not able to go over three tables initially. If he had to lay off workers, he would keep the veteran [employee].

Number 1983

REPRESENTATIVE KOTT said he thought it was good that Mr. Pargetter encourages all of these employees to report tips. He asked what happens when employees don't report tips, when there is a certain amount of sales, and it shows 1 percent of gratuities associated with that amount of sales. He asked if Mr. Pargetter, as an employer, is able to charge an 8 percent gratuity to wait staff in their monthly or weekly checks.

MR. PARGETTER said as an employer he doesn't have the authority to do that. He said they use the credit card tips as a guide [of what should be reported]. He said he has "one-on-ones" with employees, and if they don't want to report at least 10 percent, then they can look for a new job. He said the IRS would come back to the employer, not the employee, if tips were being under reported.

MR. ROSENBERG added that they [business owners] are required by

law, under tip allocation, to report tips. He concurred with Mr. Pargetter that "they" routinely encourage employees to report all tips, and some do and some don't. He said they don't know what the actual amount is, but if the employee reports less than 8 percent, the employer is required by law, to report to the federal government as though 8 percent of their sales were received in tips.

MR. PARGETTER said the 13.43 percent that was mentioned is from the allocation-of-tips formula on the recently filed 48027 [business tax form]. He added that an underage employee has tips allocated back to him or her by the employer and it appears on that person's W2s.

REPRESENTATIVE ROKEBERG referred back to the effect that an increase in minimum wage would have on businesses. He asked if it would be fair to say that since Alaska has not changed its minimum wage in a long time, the decisions are being made by politicians in Washington D.C?

MR. PARGETTER said he thought it was, although he really hadn't given it much thought. He said "they" are willing to pay what is necessary, but it would be nice to be involved when it affects them.

MR. ROSENBERG echoed what Mr. Pargetter had said and added that "they" would like to give input so that a proper and equitable decision could be made for everyone.

Number 2172

CHAIR MURKOWSKI asked Commissioner Flanagan to present the committee with additional information on specific exemptions regarding learners, apprentices, and people with physical or mental handicapped. She said she understood that "they" are subject to restrictions or conditions that are set. She also asked for help in accessing accompanying regulations to help the committee understand what is available.

CHAIR MURKOWSKI said Commissioner Flanagan would provide the committee with a breakdown of occupations from the fourth quarter of 1998. She said, too, that she understood it may be impossible to get statistics on certain things such as the number of people at minimum wage now and how many are heads of households, their ages, and the length of time on minimum wage, but she said any information would be helpful.

CHAIR MURKOWSKI said the committee would also appreciate information from the industry testifiers that could be used for review.

CHAIR MURKOWSKI said she has spoken with Representatives Rokeberg and Kott about forming a subcommittee to look into some of the more dense issues that were discussed and specifically the tip credit. She said she is not sure the committee is ready yet to engage in a subcommittee at this point but knows these issues will take some time outside of committee; Representatives Crawford or Hayes will join Representatives Rokeberg and Kott at that point.

CHAIR MURKOWSKI proposed rescheduling the hearing on HB 56 in a couple of weeks and mentioned that she would like to get testimony and perspective from Jim Nordlund, Director, Division of Public Assistance, DHSS.

Number 2320

REPRESENTATIVE KOTT said he understood the tip credit was to be used against a person's hourly wage as a reduction.

REPRESENTATIVE ROKEBERG clarified that the tip credit bill before the legislature two to three years ago kept the concept of the existing wage in statute, and the increase to \$5.65 was the baseline. He said he believed the [tip credit] federal law to be \$2.13 an hour. He said this legislature could legally lower the minimum wage to \$2.13 an hour for the tipped employees. He said many states have done this, including Hawaii, which recently established the baseline in the tip credit.

Number 2357

REPRESENTATIVE ROKEBERG said it would be up to the legislature to establish the basic minimum wage that would be paid to everybody, whether the \$5.65 [per hour] or an additional wage. He said:

And then in the future those people hired, everybody hired, would have to be paid the minimum wage, but ... the credit would be based on those wages above it, so that [if a] person receives that - in other words, say we went the \$6 an hour, established the base tip credit (indisc.), that would be the minimum wage they would receive. If there are any further increases at

other times, that would be locked in. If the minimum wage for other people went up, like, for example under the current formula, [it would be] tied to the federal law.

REPRESENTATIVE KOTT said the majority of states that have tip credits have reductions in the hourly wage. [HB 56 was held over.]

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:40 p.m.

