

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

February 14, 2001

3:20 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. 56

"An Act relating to minimum wages."

- HEARD AND HELD

HOUSE BILL NO. 81

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

- BILL HEARING POSTPONED

PREVIOUS ACTION

BILL: HB 56

SHORT TITLE: MINIMUM WAGE

SPONSOR(S): REPRESENTATIVE(S) KOTT

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		(H)	L&C AT 3:15 PM CAPITOL 17
01/29/01		(H)	Heard & Held

01/29/01 (H) MINUTE(L&C)
02/14/01 (H) L&C AT 3:15 PM CAPITOL 17

WITNESS REGISTER

JIM NORDLUND, Director
Division of Public Assistance
Department of Health and Social Services (DHSS)
P.O. Box 110640
Juneau, Alaska 99801

POSITION STATEMENT: Testified on behalf of the division, in support of HB 56.

CHRIS MILLER, Chief of Research
Department of Labor and Workforce Development (DLWD)
P.O. Box 21149
Juneau, Alaska 99801

POSITION STATEMENT: Brought information to share with the committee regarding minimum wage.

MANO FREY, Executive President
American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)
2501 Commercial Drive
Anchorage, Alaska 99501

POSITION STATEMENT: Testified that the AFL-CIO is in support of HB 56 and the governor's minimum-wage bill HB 75.

LARRY BAKER, President
Burger King of Alaska
Restaurants Northwest, Inc.
3841 West Dimond Boulevard
Anchorage, Alaska 99515-1212

POSITION STATEMENT: Testified on HB 56.

STEPHANIE MADSEN, Vice President
Pacific Seafood Processors Association
213 Third Street, Suite 112
Juneau, Alaska 99801

POSITION STATEMENT: Testified on HB 56.

PAM LaBOLLE, President
Alaska State Chamber of Commerce (ASCC)
217 Second Street, Suite 201
Juneau, Alaska 99801

POSITION STATEMENT: Shared ASCC membership survey results relating to HB 56.

JAY SUTHERLAND, Owner
Wendy's Restaurant
3709 Spenard Road
Anchorage, Alaska 99503
POSITION STATEMENT: Testified against HB 56.

MAURICE MacDONALD, Owner
O'Brady's Berries and Brew Restaurant
401 East 46th Place
Anchorage, Alaska 99503
POSITION STATEMENT: Testified on HB 56.

JACK LEWIS
Sourdough Mining Restaurant and Peanut Farm Restaurant
5200 Juneau Street
Anchorage, Alaska 99518
POSITION STATEMENT: Testified on HB 56.

ROBERT SITER, Owner
Gwin's Lodge
14865 Mile 52 Sterling Highway
Cooper Landing, Alaska 99572
POSITION STATEMENT: Testified on HB 56.

ACTION NARRATIVE

TAPE 01-17, SIDE A
Number 0001

CHAIR LISA MURKOWSKI called the House Labor and Commerce Standing Committee meeting to order at 3:20 p.m. Representatives Murkowski, Halcro, Meyer, Kott, Rokeberg, and Crawford were present at the call to order. Representative Hayes joined the meeting while it was in progress.

CHAIR MURKOWSKI mentioned that the hearing on HB 119, regarding the public utility joint action agency, had been postponed. She said she and Representative Rokeberg had participated in a teleconference and the parties are "working things out". The attorney general's office and the commissioners from the Regulatory Commission of Alaska (RCA) are talking with the sponsor of the bill and the parties involved. They expect to get back to the committee by next week.

HB 56-MINIMUM WAGE

[Contains discussion of HB 75.]

Number 0054

CHAIR MURKOWSKI announced that the only bill to be heard today would be HOUSE BILL NO. 56, "An Act relating to minimum wages."

CHAIR MURKOWSKI noted that during the last meeting on HB 56, almost all of the public testimony had been completed, with the exception of that by Mr. Jim Nordlund and Barbara Huff Tuckness. She said she spoke with Ms. Tuckness, who deferred her position to another point in time. Chair Murkowski wanted to give Mr. Nordlund the opportunity to come and brief the committee from the division's perspective.

CHAIR MURKOWSKI said the members should have a several-page response from the Department of Labor and Workforce Development (DLWD). Chris Miller was at the hearing prepared to present some of the statistical information that the committee requested. After hearing from the two aforementioned individuals, public testimony would continue.

Number 0189

JIM NORDLUND, Director, Division of Public Assistance, Department of Health and Social Services (DHSS), said he was pleased to testify in support of HB 56, Representative Kott's minimum-wage bill.

MR. NORDLUND relayed that for the past six years, the Division of Public Assistance, the DHSS, state agencies, and community organizations have been engaged in a remarkable transformation of welfare services in Alaska.

MR. NORDLUND said Alaska recognizes, like the rest of the nation, that the old program of cash assistance to poor families was not doing a good job of promoting family self-sufficiency. Welfare cases were growing, and only marginal efforts were being made to encourage recipients to move into the workforce. The old system had rules that discouraged work and made welfare more attractive than employment.

Number 0290

MR. NORDLUND explained that in 1996, under the "banner of welfare reform," the legislature passed changes to the old welfare system by repealing the Aid to Families with Dependent

Children (AFDC) program and instituting the Alaska Temporary Assistance Program (ATAP). Key provisions of the law included: ending the entitlement to cash assistance benefits; requiring work; establishing a lifetime limit on benefits; and making work pay. He said, "Now, it always pays to work even if it is in a part-time or a minimum-wage job, [rather] than ... being solely on public assistance."

Number 0342

MR. NORDLUND pointed out that the results of welfare reform have been quite remarkable, and caseload has come down 42 percent in the past four years. In fiscal year 1997, the year before welfare reform was put into place, "we" paid out \$115 million in cash benefits. Fiscal year 2000's payouts were \$64 million in benefits, which is an annual savings of \$51 million.

Number 0372

MR. NORDLUND explained that thousands of recipients have gone to work because of three reasons: changes in law and policy; investing in services to help clients find and keep jobs, particularly childcare and case management services; and the healthy economy, which has provided jobs for recipients.

MR. NORDLUND said "we" enthusiastically support the bill because it has been proven that people can move into the workforce and stay off welfare if they can earn enough to support their families. Some former recipients do pretty well and earn a decent wage, but there are still many that earn only minimum wage, which is not enough to support families and move off ATAP entirely. Even if recipients work full-time, their gross annual salary is \$11,700, which is \$5.65 an hour, working 52 weeks a year, and 40 hours a week.

MR. NORDLUND added that the current minimum wage, with an annual salary of \$11,752 dollars, is 33 percent below the federal poverty level for Alaska, which is \$17,690.

Number 0460

MR. NORDLUND said if this bill passed, the highest level of wage, at \$6.90 per hour, would still be 19 percent of the federal poverty level. He said that figure was based on a family of three; a typical family on welfare is a single mom with two kids.

MR. NORDLUND said the division had submitted a fiscal note showing that approximately 300 ATAP recipients earn between \$5.65 and \$6.40 an hour; the division projects that approximately 400 ATAP clients earn between \$5.65 and \$6.90 an hour.

MR. NORDLUND explained that with an increase in wages, recipients will either receive lower cash welfare benefits or move off ATAP entirely, which will "ratchet up the savings" in benefits paid to an estimated \$376 when the provisions of this bill are fully implemented in fiscal year 2004.

Number 0546

MR. NORDLUND said the division would prefer an inflator for the cost of living in subsequent years, as described in the governor's bill [HB 75]. It would benefit recipients to a greater degree and would bring close to a million dollars in savings to the state.

MR. NORDLUND commented that the division feels this bill is an excellent start. Passing HB 56 will contribute to the continued success of welfare reform in Alaska. He thanked Representative Kott for introducing the bill and urged the committee to move it along.

Number 0580

REPRESENTATIVE ROKEBERG asked Mr. Nordlund to clarify what he meant when he used the amount \$376 [in the fiscal note from the Division of Public Assistance].

MR. NORDLUND replied that it referred to \$376 thousand, the total savings from the proposed legislation affecting approximately 400 recipients.

Number 0621

CHAIR MURKOWSKI asked Mr. Nordlund if the division tracks people that are on public assistance and earn minimum wage, and whether those people have more than one job.

MR. NORDLUND replied, "Probably not." He said the most reliable source of information is the DLWD's wage statistics, which show whether a person earned money in a quarter, but not necessarily that money was earned from more than one employer.

CHRIS MILLER, Chief of Research, Department of Labor and Welfare Development (DLWD), responded that the DLWD would know if people are working for multiple employers, but cannot say what the wage rate would be.

Number 0680

REPRESENTATIVE ROKEBERG asked Mr. Nordlund what other benefits an ATAP recipient might be able to get, such as Denali KidCare and food stamps, and asked if it depends on a person's income.

Number 0704

MR. NORDLUND responded that generally a person who is eligible for ATAP is going to be almost universally eligible for Medicaid and Denali KidCare, a subcomponent of Medicaid. And approximately 70 percent of the ATAP caseload is receiving food stamps.

Number 0780

REPRESENTATIVE ROKEBERG asked what the current eligibility requirements are for Denali KidCare and whether it is based on the percentage of poverty level.

Number 0841

MR. NORDLUND replied that Denali KidCare goes up to 200 percent of poverty level. He didn't know the number of people participating in the program but said there are approximately 15,000 children participating in Denali KidCare. He mentioned that some of the 15,000 children would have been eligible under the old Medicaid rules, prior to Denali KidCare.

REPRESENTATIVE ROKEBERG questioned whether he was correct in commenting that the Denali KidCare program just covers children.

MR. NORDLUND replied that Denali KidCare is an expanded coverage for children, intended for "working poor" families who make between 120 and 200 percent of the poverty level.

REPRESENTATIVE ROKEBERG asked if someone working at a minimum-wage job would qualify for Medicaid and Denali KidCare.

MR. NORDLUND replied that it depends entirely on a person's income. He said he didn't have the eligibility rules with him but said anyone working full-time at a minimum-wage job would be

eligible for Medicaid. He confirmed that this would include adults and children.

Number 0870

REPRESENTATIVE HALCRO asked Mr. Nordlund what would be the maximum allowable income for a person to qualify for Denali KidCare.

MR. NORDLUND said he would have to find out and get back to the committee. Referring to a question from Representative Rokeberg about the federal poverty scale and 200 percent of poverty, he said it depends on the number of people in the family; it "ratchets up," based on that number.

Number 0891

REPRESENTATIVE CRAWFORD asked about the five-year lifetime limit on welfare [benefits], and asked which of the programs would run out soon.

Number 0932

MR. NORDLUND responded that the ATAP program has a five-year lifetime limit. He said the first families would be reaching the 60-month lifetime limit in July of 2002.

REPRESENTATIVE CRAWFORD asked if people with children, earning minimum wage and on ATAP, would be running out of benefits.

Number 0974

MR. NORDLUND said some of them would, although under law, the division can exempt 20 percent of the caseload from the five-year limit. Presumably, those exemptions would be for people who have disabilities or have some other severe barrier to employment that makes it unreasonable for them to work. He said if a person is able-bodied and can work, and has used up his or her 60 months of benefits, he or she will be cut off from ATAP.

Number 1014

MR. MILLER said he had brought responses to questions posed at the prior hearing [on HB 56]. He said there isn't much that DLWD can say specifically about minimum wage, since the administrative database is not able to capture a wage rate for an individual, but he can make some inferences.

Number 1090

MR. MILLER referred to a series of handouts that he provided to the committee. He directed members to the second handout, a list of the number of individuals that the DLWD estimates earn wages in the first quartile of various occupational wage ranges. He explained that it means that 25 percent of the individuals in an occupation earn below a certain level, and "less than \$6.74 per hour." He said based on that definition of people earning less than \$6.74, DLWD came up with a broad estimate of the number of individuals that may be working at minimum wage. He said:

This is where we talked about the 14,435 (indisc.). Granted, there [is] going to be a significant portion of those people that are above the minimum wage, which is \$5.65. So there are going to be people at \$5.66 to \$6.74 in that group. But this gives you sort of an idea of the number of people we're talking about.

MR. MILLER commented that within the table, there are various industrial categories, by the number of individuals that may be in that earning wage range. He said that information is based on 1998 numbers from a statistical survey that the DLWD does in cooperation with the Bureau of Labor Statistics (BLS). The fourth quarter of 1998 is the reference quarter and is the most recent information the DLWD has; however, they are in the process of finishing the 1999 survey.

Number 1193

MR. MILLER referred to a question previously asked by the committee [regarding what the age of persons earning the minimum wage]. He said the DLWD addressed this by using the Occupational Employment Survey (OES) data and matching it with the administrative data from the occupational database. Those in the first quartile, the low end of the occupational spectrum, were earning less than \$7.15 [an hour], which within the administration's budget would be the minimum "at the second year out [the second year according to the bill]."

MR. MILLER said the significant thing to do is to look at the median age of workers in those various occupations. Ushers are the youngest people, whereas the median age is over 30 for herring roe graders and processors. He said cannery workers are approximately 32 years of age, and waitresses have a median age

of 29. He explained that median means 50 percent of those workers have an age less than 29 years of age, and 50 percent are over 29. He said the median age of people in the lower-earning spectrum is 28, so there are people in the "high school age [range]," but it is not necessarily just a young person's pay rate.

Number 1318

MR. MILLER said the DLWD doesn't have information about the length of time people stay on minimum wage. They are able to follow people within the wage file, from one quarter to the next, but it reflects quarterly earnings and doesn't collect hours worked through the unemployment insurance system. The DLWD is not able to come up with a pay rate, per se. He said they also don't know what the impact on benefits will be if the minimum wage is raised, other than to rely on economic theory, which would indicate that employers would react. However, with the minimum wage as a floor, affecting all employers equally, the effect may be minimized.

Number 1394

MR. MILLER referred to a chart that looks at minimum wage using the Consumer Price Index (CPI) to adjust for real wages. He said it could be looked at in two ways. First, what would be the value of the minimum wage currently, if we were to keep the real-dollar value of the Alaska minimum wage from 1960, which was \$1.50, were kept. He said it would be approaching \$6.75 per hour. And conversely, what would be the value of Alaska's minimum wage in 1999 dollars, looking back at 1960? Either way, it is in excess of \$6.00 an hour.

Number 1465

MR. MILLER said the peak in the minimum wage occurred in the middle of the 1970s, reflecting the increases done by Congress and the minimum wage reached in 1968.

Number 1480

MR. MILLER referred to the age-distribution chart of people in the lower-wage category. There is a large chunk of workers in the 21- to 30-year-old bracket. He reiterated that it is not just high-school students making minimum wage.

Number 1501

MR. MILLER referred to a question of whether the minimum wage has an impact on the average weekly wage. He said the average weekly wage is a statistic that the DLWD collects over all industries and all income earners. He said in 1990, when Congress raised the minimum wage, the average weekly wage went up a little, but it was not significant. With the increases that Congress put into effect in the late 1990s, Alaska's average weekly wage was relatively flat [looking at the chart].

Number 1547

REPRESENTATIVE ROKEBERG asked if the economic conditions of Alaska would have a greater impact on the average weekly wage than would the current minimum-wage law that is tied to the (indisc.) here.

MR. MILLER replied that he was correct. He said there are several variables that go into it, including the change in the industrial mix, such as in the last half of the 1980s when the [wages in the] construction and oil industries went down. One can see that the average weekly wage went down. He pointed out that of the total workforce, the percentage of people earning minimum wage is small, and the group that makes up the average weekly wage is a much larger group. He stated that this is much more reflective of what is going on in the economy.

Number 1654

MR. MILLER, responding to a question about where the information comes from that indicates how long a worker stays at minimum wage, said it comes from the quarterly unemployment insurance quarterly tax contribution report.

REPRESENTATIVE HALCRO questioned whether that report has the employee's name, social security number, job classification, and gross wages for the quarter. He asked for confirmation that there is no space on the form that lets the department know whether the employee works full-or part-time.

MR. MILLER said that is correct. He said the DLWD is looking at gross wages, which could be for someone who works 20 or 60 hours a week.

Number 1654

MR. MILLER referred to the final chart, entitled "CPI versus Minimum Wage," and said it shows the relationship between the CPI for all urban consumers in Anchorage and the minimum wage, and how it does or doesn't track. He pointed out that the CPI covers a wide range of items that may or may not be reflective of the goods that people at minimum wage would be purchasing. He explained that the CPI went through a major revision in the last four years by the BLS to more [accurately] reflect the current spending patterns of all urban consumers. The BLS was chastised in the national forum for how the index was calculated, and there was a reaction to it. To their credit, "they" moved rapidly, and most critics of the old index have reacted positively to the changes that the BLS has made. He said he doesn't know if the BLS knows how accurately the new index will track inflation, though they estimate that the index will probably be rising at a couple tenths slower than the old index would have.

Number 1743

MR. MILLER referred to the last handout, which includes comments from the BLS on the new index.

Number 1754

REPRESENTATIVE ROKEBERG stated that he has been a follower of the "CPI wars" for years and asked if Mr. Miller has a "gut feeling" about the changed CPI's ability to gauge Anchorage when compared to all cities nationally. He asked if there has been a variation.

MR. MILLER said it is too soon to tell. The BLS has experimental indexes, which use data and forecasts backwards. He said one could see the difference, but he wasn't sure to what extent the difference will hold in the future. He commented that there were critics who said "they" didn't go far enough.

Number 1805

CHAIR MURKOWSKI asked if Mr. Miller is able to divide out, by gender, whether a person is in the first quartile. She said the suggestion was made that if one looks at how it falls out, male versus female, one would probably see more females who earn minimum wage. She asked if this is a statistic that he could provide the committee.

Number 1834

MR. MILLER replied that along with the age data, the DLWD is able to access this from the permanent fund [dividend] file, where a match is done. DLWD would be able to determine the gender mix at an occupation, but would not be able to explain whether there is a gender bias to the low end of the earning curve.

Number 1854

CHAIR MURKOWSKI referred to the "eating and drinking places" category from the 1998 study, which showed a percentage of total minimum-wage employment at 32 percent for some 4,046 individuals. She asked if that category could be broken out by gender.

MR. MILLER said if the assumption was made that the distribution, by gender, was even throughout the entire occupation mix, the gender distribution could be applied to the wage ranges to come up with an estimate.

CHAIR MURKOWSKI she asked Mr. Miller to get that information for her.

Number 1888

REPRESENTATIVE HALCRO referred back to the information collected off the (indisc.) reports. He asked if it is being assumed, when interpreting data, that every employee is working a 40-hour week.

Number 1903

MR. MILLER replied, "No." The DLWD is unable to break this down by percentages. He said the DLWD came up with the wage rates from the OES survey, where firms are contacted directly and asked what their wage rate is, and asked to put their employees into various occupational-wage ranges.

REPRESENTATIVE HALCRO said the DLWD's fourth-highest industry breakdown, as far as percentage of total minimum-wage employment, is government. He asked, other than legislators, who in government makes minimum wage.

MR. MILLER said it refers to elected and appointed officials, council members, and so forth, but there could also be people

working part-time and seasonally. He said it would take some further research to figure out.

Number 1956

REPRESENTATIVE HAYES asked how many businesses would close if the minimum wage was raised. He said the minimum wage was increased in 1986 on a federal level, and asked if the [former] Department of Labor (DOL) did any statistical analysis to find out how businesses fared during that time.

Number 1976

MR. MILLER replied that they didn't do a rigorous statistical analysis of the issue but did look at various industry sectors to see if they went up or down. There really wasn't anything happening, and there were too many variables to "nail it" to one reason. He clarified that there hadn't been a reaction.

CHAIR MURKOWSKI said she understands that some of the specific information is not possible to get, but said, if Mr. Miller can provide the committee with speculation, it gives the committee a little more information on which to base its decisions. She said she appreciates the work that Mr. Miller had done.

Number 2063

MANO FREY, Executive President, American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), said he appreciates that Representative Kott introduced legislation to increase the minimum wage, and said it means a lot to many people in the state, not just those at the lowest end of the earnings chart, but even those that are barely above the minimum wage. Many people at the low end of the earnings curve work multiple jobs to try to survive up here, and many times they try to "lift themselves up."

MR. FREY explained that the governor's minimum-wage bill [companion bill HB 75] includes indexing to the CPI in the future. If there is an increase in the minimum wage, there is an immediate prop-up of those who qualify to get an increase. Without some kind of indexing that will do it gradually, it hurts both the employer and the employees because both have to go without an indexing process. They can go years without additional increases to where the buying power just continually decreases; although the legislature will "bounce" it back up, it immediately starts the downward slide. If the CPI were

included, the increases would be incremental and insignificant when compared to facing a dollar-an-hour increase in one lump sum.

MR. FREY stated that if it were done incrementally, it would be a big workload off the legislature's shoulders and would take care of itself, if it were pegged to the CPI.

MR. FREY relayed that the AFL-CIO and the Alaska Federation of Natives attempted to get this type of legislation on the ballot for the last election cycle. He said "we" didn't get the signature books until August and collected 25,000 signatures, but were still several hundred signatures short of putting it on the ballot. He commented that "we" appreciate that the legislature is going to try to deal with it this year.

MR. FREY said the delegates at the conference are deciding whether to go through the signature-gathering process again. He said "we" would prefer that the legislature pass a fair bill, because it would be much sooner than waiting for the 2002 election.

Number 2289

MR. FREY said he spoke to Representative Rokeberg, who had indicated that he had "something creative" for the tax credit issue, that he wasn't just looking at the federal standard, which in some states is a minimum wage of \$2.37 an hour. Mr. Frey said "we" are always willing to explore the issues that are in front of the legislature to see if there is some way "we" can reach a consensus. He said the AFL-CIO doesn't support tip credits as an offset to increasing the minimum wage.

Number 2337

MR. FREY said while he is in Juneau, he intends to get together with Representative Rokeberg to see what he has in mind. If it is something fair for workers that receive tips, "we'll" be ready to support something like this. He reiterated that in general, the AFL-CIO is not supportive of that kind of effort because it is felt that people at or near minimum wage who receive tips are not normally the people working in the upper-end restaurants. Generally, tips are minimal at best and help to supplement a very low wage.

Number 2382

REPRESENTATIVE HALCRO asked about the big picture. He said he'd heard that there's a large difficulty in government to keep good people in specific positions, as Commissioner Ed Flanagan, DLWD, previously testified. He said Commissioner Jim Duncan, Department of Administration, stated that within five years, the state would lose 25 percent of its workforce to retirement alone. The committee has had every industry talking about job openings that they will have, and companies are actually paying employees to go to school and get advanced education, with the hope that they will be able to keep them. He said it seems that there is tremendous opportunity out there, and he believes that minimum-wage occupations are entry-level positions. Some of his constituents who are small-business owners say they employ high school students because the students need the money and they can afford them. In considering the opportunities that are out there, and the efforts made to attract and keep employees, shouldn't "we" just let the free market take care of [setting] the minimum wage, he asked.

Number 2465

MR. FREY said he didn't believe so, and said the state has an obligation. He said three big projects are coming up, with George W. Bush as President and with Alaska's [positively positioned] congressional delegation. They are the [proposed drilling in the] Arctic National Wildlife Refuge (ANWR), gas lines, and a missile-defense system. He said each of these would create tremendous opportunities for the "cream of the crop" of this state.

TAPE 01-17, SIDE B

Number 2461

MR. FREY said Alaska will have "the legacy jobs" hereafter, and he reminded the committee of the opportunity that was missed when the oil line was built. Alaskans have to collectively work together to not miss that opportunity with this cycle. He emphasized that employers don't need to recruit outside of Alaska; the resources and wherewithal are here. Collectively, there are several groups aiming toward those projects [to provide] recruitment and training.

MR. FREY described a situation that transpired at the Anchorage airport. He said the skycaps worked the airport for years. The State of Alaska used to put out a concession contract, requiring the employer to pay the state a concession price to have skycaps

working there on behalf of the airlines. The airlines weren't paying anything, and the concessionaire actually paid the state. The skycaps worked for the public and were tipped employees.

MR. FREY asked how a concessionaire could pay the state and make money. He explained that the concessionaire charged the skycaps a \$2-an-hour cart-rental fee. Workers were not paid a wage; they just received tips. Some were retired members of the local AFL-CIO so "we" began to talk to them about this. He explained that on a 12-hour shift, skycaps would pay \$24, with no guarantee that they would earn anything that day. Skycaps were paying \$2 an hour to rent a \$70 cart. It didn't seem right that a state agency was actually charging [a fee], and was not required to pay minimum wage.

MR. FREY pointed out that sometimes a business isn't going to stay in business if it has to pay a certain amount of wage, which is what happened in this case. The AFL-CIO sued the State of Alaska on behalf of the employees. When [former] Governor Walter Hickel was in office, the AFL-CIO worked with the Department of Transportation and Public Facilities and got a fair settlement: all of those people received two years of back wages, at minimum wage, from the state, and were reimbursed for all of the cart fees they paid.

MR. FREY said the concessionaire wasn't sure what to do because there was no way that he could remain in business doing what he had been doing. The contract turned completely around, the airline consortium got together, and now under the auspices of the state, they actually pay the concessionaire to be there. He said, "It's unfortunate that some people may have a great idea, but if it is not a moneymaker, maybe they need to think of another idea. I do believe that there is an obligation there." Mr. Frey commented that one needs to know that those kinds of things do happen.

Number 2283

REPRESENTATIVE MEYER asked Mr. Frey to clarify which bill he supports: the governor's, Representative Kott's, both, or a combination.

MR. FREY said "absolutely." He said notwithstanding his comments about the CPI index, the second year of Representative Kott's bill provides for minimally less than the governor's, not that "we" couldn't live with \$6.90 versus \$7.15. The AFL-CIO would like to see \$7.15, but \$6.90 is a "prop-up," especially if

it has the CPI indexing. A combination of the two bills [would be favorable]; by adding the CPI qualifier the issue doesn't have to be revisited every five years because it would be automatic. He pointed out that at \$6.90, a 3 percent cost-of-living increase in the prior year would be 20 cents.

Number 2229

REPRESENTATIVE MEYER recalled that both bills are based on the federal minimum wage, and asked what was happening at the federal level with the minimum wage.

Number 2221

MR. FREY replied that things were moving along rather "smartly" two years ago. Heading into the election year, everyone had the intent of passing legislation on a federal level. Now, the impetus is gone and there doesn't appear to be much going on. He said he doesn't know if they will get going on it in the near future.

Number 2201

REPRESENTATIVE MEYER asked about the tip credit. He said the committee received information that indicated that most states which have a minimum wage also have a tip credit. He said he understood that the AFL-CIO doesn't support it, but asked how it works.

Number 2186

MR. FREY said in states he is familiar with, employers can pay 50 percent of the federal minimum wage, which is currently \$2.37, if the employee receives tips. There are others [situations] where if there were increases in the minimum wage, tipped employees wouldn't receive those increases, but would have their wage frozen where it was. He said there are different approaches, and some states have the offset. He said personally, he doesn't think Alaska needs to be a "leader of heading down."

Number 2146

REPRESENTATIVE MEYER said to Mr. Frey that he doesn't really have many [AFL-CIO] members that make minimum wage.

MR. FREY said the AFL-CIO doesn't represent many, but this issue it is not unlike some that they get involved with; many feel it is a social obligation to try to help those who need it the most. People without representation don't have a collective voice, and the AFL-CIO can try to provide that for them.

Number 2114

MR. FREY, responding to a question about whether any of the AFL-CIO's members make minimum wage, said yes, and mentioned the skycaps at the Ted Stevens Anchorage International Airport who receive minimum wage and tips.

REPRESENTATIVE ROKEBERG stated that people say that one of the reasons the AFL-CIO supports the increase in the minimum wage is so there is a higher base wage in the state, which allows the union to bargain higher-paid contracts.

Number 2056

MR. FREY replied that this is absolutely not true. He reiterated AFL-CIO's reason for getting involved in the minimum-wage issue.

MR. FREY used the example of a contract negotiation that he is currently involved in with an employer of highly skilled people. The AFL-CIO is probably going to be negotiating a contract that will put the employee's base wage at over \$40 per hour. He commented that what the legislature does with the minimum wage will not affect those negotiations. He said the influencing factor is competition in Alaska. There are no contracts on which increasing the minimum wage would impact negotiations.

Number 1975

REPRESENTATIVE ROKEBERG said the AFL-CIO and union groups have been very involved in developing an understanding across the state for workforce [investment], employment, and retraining. He complimented Mr. Frey on this. He mentioned the exemptions in the Wage and Hour Act, and other provisions there to help beginning workers learn how to work. He stated that the programs don't work because businesses don't use them because of their bureaucratic barriers. He asked if organized labor would support training-wage reform, not extending what exists but making the programs workable.

MR. FREY said the AFL-CIO would be more than happy to be involved in the revisions.

Number 1890

REPRESENTATIVE ROKEBERG said he thinks "we" are missing an opportunity with the young people, since the best way to learn how to work is by working. It is really important, if pursuing the whole concept of minimum wage, that there be some type of offsetting situation so employers can still stay afloat. He said no one really wants to change the law in such a way that it is more onerous or anything like that. There are suggestions to reflect the federal rules, to make things much easier.

Number 1849

REPRESENTATIVE ROKEBERG specified that his intention is not to lower the existing minimum wage to the federal standard, but to consider something that gives relief to the large employers whose employees make a substantial amount in tips and set a trigger mechanism that guarantees that all tipped employees make a "super minimum wage".

REPRESENTATIVE KOTT, [turning the attention to another subject], asked Mr. Frey to explain the AFL-CIO initiative that had been drafted.

MR. FREY responded that it contained two raises, and a [tie to the] CPI, not dissimilar to Representative Kott's initiative [HB 56].

Number 1651

LARRY BAKER, President, Burger King of Alaska, via teleconference, noted that he had provided the committee a copy of his testimony in writing. He referred to paragraphs 2 and 3 in his letter and said there have been some resident experts who have testified at the national level on minimum wage, and the committee could read that information at their leisure. He added that there is adequate information in the public record that can be read in relation to testimony from the department.

Number 1561

MR. BAKER referred to a question that Representative Meyer had asked of Mr. Frey on the status of the federal minimum wage. He said last week in Washington [D.C.], the Senate and House

introduced a minimum-wage bill that would raise the minimum wage \$1.50 an hour over a period of two years. He stated that a similar piece of legislation died in the last Congress, but assured the committee that there is active reinitiating on the federal level.

MR. BAKER responded to Representative Rokeberg's comments about student learners. He said it is a problem and he has not used the program. He said he would be happy to work with others on this issue.

MR. BAKER directed the committee to AS 23.10.050 through AS 23.10.150. He said it is an ominous provision that needs some consideration because it mandates that a person who spends more than 20 percent of his or her time in a supervisory capacity be tied directly to the minimum wage. By the second year of enactment of this legislation, these employees would receive a 21-percent increase in wages, from a base of \$29,380 to \$35,880, for example. He said it is more than just minimum wage. This piece impacts everyone within the industry.

Number 1395

REPRESENTATIVE CRAWFORD asked Mr. Baker about the average hours his management employees work.

Number 1357

MR. BAKER replied that it is divided into two pieces. Anyone less than senior management is paid for 40 hours, plus the number of hours worked on an overtime basis. The top management person would fall under the 20-percent rule, in the neighborhood of 45 to 50 hours per week.

REPRESENTATIVE MEYER said based on the 20-percent rule, Mr. Baker would be doubly hit, affected not only by the entry-level people, but also by the managers. He said he assumed it would affect other fast-food restaurants the same way.

MR. BAKER said all industries would be affected because this part of the code is tied directly to the minimum wage. An employer must pay two and a half times the minimum, no matter what the industry is, if an employee spends in excess of 20 percent of his or her time in an executive or administrative category.

REPRESENTATIVE MEYER referred to a DLWD handout, which looked at the percentage of total minimum-wage employment, and the total minimum-wage employment by industry. He said 32 percent of people earning minimum wage are in the eating and drinking establishments, and the next [highest number earning minimum wage] as in amusement and recreation services, at 8 percent. He said the majority are in Mr. Baker's industry.

REPRESENTATIVE MEYER mentioned previous testimony from others in the restaurant industry, and what their reaction would be to an increase in the minimum wage. He said one restaurant mentioned that they would either reduce the amount of paid vacation or reduce benefits. He asked if Mr. Baker might raise the price of his hamburgers.

Number 1077

MR. BAKER said the costs have to be passed along, either by raising prices or by cutting back on benefits. He referred to his written testimony and his proposed alternatives. He said if the committee moves forward with this [legislation], something needs to be done with the student learner program because it isn't working; design some legislation to provide teenagers with work experience, as it was intended in the code.

MR. BAKER, responding to a question posed about hiring handicapped people and minimum wage, said the code allows employers to pay challenged persons less than minimum wage. He said "we" treat those employees the same as others and don't utilize that specific part of the administrative code. He said his company has several challenged individuals and would continue to employ [these] people because they are good members of the workforce and contribute to the business.

Number 1012

REPRESENTATIVE ROKEBERG asked Mr. Baker if there has ever been enforcement against him regarding the 20-percent rule with his management and administrative people.

MR. BAKER said no, because the 20-percent rule is just automatic. "We" don't put anyone in that category who wouldn't otherwise qualify. He said the top person in the restaurant falls in the 20-percent category because more than 20 percent of his or her work is in an administrative capacity.

MR. BAKER, responding to a question about the Wage and Hour Act exemption for a learners wage, said "we" have looked at the opportunity provided in the current statute but haven't used it because it is unworkable; it is too difficult administratively to utilize, so "we" have just stayed away from it. He said it was intended to give young people an opportunity to learn while working, and to become productive members of the workforce. He agrees that it really needs to be reworked if there is to be a minimum-wage increase.

Number 0815

REPRESENTATIVE CRAWFORD asked Mr. Baker if it would be easier to deal with an increase in the minimum wage if the committee had an amendment that gave credits [to companies] for the health care they provide to employees.

MR. BAKER responded that "we" would review anything that is proposed, to see if it truly made a difference to the total package. On another subject, he referred back to the tip credits and said that doesn't impact his industry because none of his employees receive tips.

REPRESENTATIVE HALCRO asked about competition and the ability to hire employees at minimum wage.

Number 0612

MR. BAKER said it is a competitive situation, and the free market takes care of itself, based on available jobs and wage rates. Responding to a question about what percentage of those working at minimum wage are moms or heads of households, Mr. Baker said he doesn't have the actual statistics but can pull them. He speculated that at the student level, 50 percent are in the lower quartile. The average wage statewide is \$6.35 an hour, so 100 percent of employees work for 40 cents an hour less than the statistics reported by the DLWD. He added that very few of his employees [working at minimum wage] are single working parents and heads of households.

Number 0310

STEPHANIE MADSEN, Vice President, Pacific Seafood Processors Association, a trade association established around 1914, said she represents almost all of the onshore processors around the state. She said the seafood industry is very diverse, so it is hard to capture and characterize the industry in simple terms.

[She gave the committee a brief orientation of the industry.] Twelve-hour shifts are standard, she said, and when a person is hired, he or she is notified of that. It is an eight-hour regular shift, and four hours of overtime on a regular basis. The job is seven days a week when the season is in full swing. Approximately 75 percent of the total workforce is made up of the processors, those working on the floor or "slime line." "We" are considered, even by the DLWD, as one of the last entry-level industries where someone with little or no experience or education can come to work easily.

Number 0205

MS. MADSEN said 20 to 55 percent of the workers are at entry level. There are some companies that have a rehire rate that is higher than others, but there is a broad range. Generally, the entry-level base wage that provides room and board ranges from \$5.65 to \$7.00. She added that in the seafood processing industry there are built-in incentives for an employee to remain on the job or to complete the contract, because employees often work on a 1,300- to 1,500-hour contract. An incentive usually includes an incremental increase based on a completion of so many hours. If a person remains with that employer without a large absence, he or she might continue to go up in that per-hour rate. Usually the new employees come in to entry-level positions and receive minimum wage.

MS. MADSEN said if room and board is not provided, there is a pay differential.

TAPE 01-18, SIDE A

Number 0059

MS. MADSEN asked the committee to consider a credit for seafood processors that provide room and board. Not all would be eligible, and the credit would only apply for the proposed increase in minimum wage. "We" are very concerned about the economic impact that the proposed increases would have on a good portion of the workforce, she said. Besides losing quota, this is probably one of the most difficult things that "we" will be facing.

MS. MADSEN said the credit could be looked at two ways. Those processors that don't provide room and board generally charge \$3 per meal. Seafood processors have four meals, since the workers work a 12-hour shift, so it is easy to figure a \$1-per-hour

credit for meals alone. The other [way] is to have a pay differential for a resident worker, since the nonresident worker gets room and board; this is easily demonstrated by the current practices.

Number 0160

REPRESENTATIVE HALCRO asked if a cost could be put to the benefit of meals and housing.

MS. MADSEN responded that it is difficult [to calculate]. She has looked at processors that charge their employees for meals. Oftentimes, processors provide room, board, and airfare, but it is difficult to quantify as many of those are in remote sites. One could either look at the charges that some seafood processors charge employees for meals or the industry could provide the committee with what it estimates the cost to be.

Number 0283

REPRESENTATIVE CRAWFORD referred to a personal experience with canneries and seafood processing plants and said the wages used to be \$8.00 to \$9.00 an hour. The wages began to drop, and they are now, for the most part, at minimum wage. If "we" don't provide a floor under the wages, how are we going to keep these people at a living wage? If [Alaska] doesn't bring it up to \$6.90 over the next couple of years, "we" won't be up near the federal poverty level floor.

MS. MADSEN replied that very few processors are actually paying minimum wage, although she doesn't think that the majority are at the \$6.90-per-hour rate. The reason the majority of processors are not paying \$5.65 is because competitively the labor market has driven the costs up, and to get employees, one has to pay more.

MS. MADSEN commented on some wage-and-hour samples she provided the committee. She said "we" have gotten better, but "we" suffer from a high nonresident hire [rate]. A lot of these entry-level people are from out of state, and they go back to where the cost of living is not the same as Alaska's.

MS. MADSEN noted that "we" improved by 5 percent over the last several years, as was shown by the DLWD's latest information. She said this was because of an aggressive campaign targeted at rural Alaska. When one talks about who is getting the entry-level positions, it is not the Alaskans; the Alaskans have a

much higher rate and hold the management positions. Referring back to employees and whether they are heads of households, she said "we" have not been able to determine this, although she said the DLWD provided an average age of 32. She said actually being in the processing plants, she finds this a little high because of the type of work; most workers are high school and college kids for the summer season, and are in their early twenties for the longer groundfish season.

MS. MADSEN pointed out that in Kodiak right now, the workers are receiving between \$6.50 to \$6.75 an hour without room and board. They are above the current minimum wage because of competition for those employees.

Number 0675

REPRESENTATIVE HALCRO referred to the data points in the handout provided by Ms. Madsen. He asked if an employee could work as long as he or she likes in a day or if a 12-hour shift is the cutoff.

MS. MADSEN replied that she believed 12 hours to be the cutoff.

Number 0735

PAM LaBOLLE, President, Alaska State Chamber of Commerce (ASCC), said the chamber didn't have a position on the [minimum wage]-issue when it met a few months ago. She had surveyed the membership, following the survey done by National Federation of Independent Business (NFIB), so the questions would be the same, only "we" added two more. One was to try and find out what type of business the person had; the other was to determine the number of employees employed.

MS. LaBOLLE commented that about 65 percent of the [ASCC's] membership reside in Anchorage. She mentioned that the members in Anchorage had the survey for less time than members in the rest of the state.

MS. LaBOLLE said there was a 13.5 percent response, but she expects the percentage to grow in the coming days. Looking at the survey data, she pointed out that business is divided on whether the state legislature should raise the minimum wage to \$6.40 next year, and \$6.90 in 2003, as outlined in Representative Kott's bill. The responses were equally for, against, and unsure [about the bill].

MS. LaBOLLE stated that people were a little more decisive on the governor's bill [HB 75], with half saying they don't like the incremental part of the bill. Close to 70 percent of the businesses [owners] that responded start their employees above the \$8-an-hour wage. Regarding starting employees at minimum wage, 92 percent don't.

Number 0931

MS. LaBOLLE said 42 percent fell into the size classification of 50 employees, which is the breaking point to be considered a larger business; 58 percent were small businesses. Only 2 percent of the respondents were restaurants [owners]. She said it is preliminary information and she expects to see more added.

REPRESENTATIVE MEYER said the group liked Representative Kott's bill over the governor's, but 28 percent are still undecided. He asked why those people might be undecided.

MS. LaBOLLE said the undecided ones that marked their questionnaires as undecided on either proposal. Along with the surveys, she sent out a full page of "pros and cons", and a little information about each bill. She said she thinks that approximately 30 percent are waiting to hear more about it.

REPRESENTATIVE MEYER referred to the question on the survey that asked about the age bracket for most of the minimum-wage workers. He said it is clear that the majority of people making minimum wage fall within the range the committee has been talking about, the 15- to-30-years of age range. He commented that almost none of those that earn minimum wage are heads of households.

Number 1088

REPRESENTATIVE HALCRO compared results, saying 92 percent of the respondents in the ASCC survey and 95 percent in the NFIB said they are not paying workers minimum wage. However, when they were asked if they supported the legislation, 33 percent in the NFIB survey and 35 percent in the ASCC survey said yes. He suggested they are saying that it doesn't affect them but that they don't like government telling them what to do.

Number 1181

MS. LaBOLLE commented that she believes a lot of them are saying that it doesn't affect them because they are already paying well

beyond the minimum wage. She pointed out that quite a percentage of people responded to the question about the impacts that a raise would have.

REPRESENTATIVE HALCRO questioned why the percentages on the survey add up to more than 100 percent.

MS. LaBOLLE replied that businesses were asked to select all that applied, so they wouldn't have just selected one [answer].

Number 1383

JAY SUTHERLAND, Owner, Wendy's Restaurant, Anchorage and the Matanuska Valley, via teleconference, said he is opposed to HB 56 because it will damage entry-level workers, most of the people he hires at minimum wage; 75 percent of them are teens living at home. Within the first 30 to 90 days, workers have gained some job skills and are at or above \$6.25. "We" don't start them at minimum wage, and government is just mandating another cost increase. He doesn't see how [the minimum-wage increase] will all be passed on to the customers. He said employers will be hurting and will have to decrease benefits.

REPRESENTATIVE CRAWFORD asked Mr. Sutherland how many people he had to lay off during the last minimum-wage increase, and what effect the minimum wage had on his business.

Number 1383

MR. SUTHERLAND said it wasn't a layoff process; he invested in technology. He said through attrition "we" just didn't replace [workers]. He said 100 hours every two weeks [were cut] out of each one of his enterprises by investing in technology; he said the benefit is that once the technology is paid for, it doesn't cost "us" any more. Everytime government decides to increase the minimum wage, "we" will look at investing in more technology.

MR. SUTHERLAND explained that he invests in different types of timepieces and automation. For example, "we" just invested in a power-wash sink, which cut 12 hours of human labor. He said his company is making pre-investments. He explained more about the computerized processes.

MR. SUTHERLAND said he was able to pass on less than 30 percent of the last minimum-wage increase to the customer.

Number 1512

MAURICE MacDONALD, Owner, O'Brady's Berries, and Brew Restaurant, Anchorage, via teleconference, said apparently Mr. Nordlund and Mr. Miller from the State of Alaska didn't have any statistics to support a minimum-wage increase, and the DLWD isn't able to identify the employees. He said the average wage for tipped employees at his restaurant is close to \$17 an hour; entry-level employees start at a little less. He commented that the minimum-wage increase would impact his highest paid employees, not his lowest paid.

MR. MacDONALD explained that he has incentives to try to retain his employees. He pays for a medical-drug card; dental coverage with a \$250 deductible; up to five weeks of vacation a year, if an employee has five years with the company; and tuition for college. He tries to attract upwardly mobile employees that will stay around longer. If the minimum wage is increased, he won't be able to provide all of the benefits and isn't sure what the state would prefer him to do.

Number 1609

REPRESENTATIVE HALCRO asked Mr. MacDonald how the benefits he offers compare with those of other employers in the industry.

MR. MacDONALD said he guesses that his margins are probably less at the end of the year. He said the insurance payment for his employees is the second-highest check he writes each month, \$4,400 to pay for the health insurance. He said he charges more for his burgers because his employees have these benefits. Increasing the minimum wage puts the burden on him to increase the minimum wage when workers are making much better than that because of their average table turnover. He said his employees would rather serve two more tables [an hour] than receive an increase in their wage because it far outweighs what they will earn.

Number 1685

REPRESENTATIVE HALCRO said two weeks ago during public testimony on the bill, another owner of a similar-type restaurant said his concern was one of economic theory. He said raising the minimum wage creates a displacement, where more is required of the senior employees, and it actually reduces the number of entry-level employees.

MR. MacDONALD said his current burden would be the cooks, who see that a server is getting an increase and will be wanting it too; it pushes up all his costs across the board. He doesn't believe that he will be able to pass on this increase [to the customer].

Number 1752

JACK LEWIS, Sourdough Mining Restaurant, and Peanut Farm Restaurant, Anchorage, via teleconference, commented on Mr. Frey's statements earlier in testimony. He said he has 200 employees, with 100 hours a day of tipped employees who earn far from the minimum wage. When he tries to get his employees to move into management, they are not sure if they can take the pay cut. He mentioned that most of his management people are paid \$40,000 to \$50,000 a year. The food and beverage industry needs serious consideration because it may have absorbed the last increase, but he isn't sure what will happen during the next go-around. Last time his companies were able to look at price increases; this time, he will be looking at across-the-board cuts. He would also have to give up his "green membership," which is a \$5,000 contribution to the university.

MR. LEWIS pointed out that "we" offer a lot to employees in the industry, especially the tipped employees, because they have very flexible hours. He commented that today's labor force is incredibly untrained, and he hasn't faced anything like this during his 30 years in the business. He said he is hiring people "from scratch" and teaching them the basics of food training and handling, which is a time-consuming and expensive task. He stated that many of his minimum-wage people are mothers who are second-income earners. He said they are making upward of \$30,000 a year for four and five hours a night, and are able to have a flexible schedule.

MR. LEWIS said he has a set business formula, and an increase would make him search somewhere to offset the costs. He asked the committee to consider what the food and beverage industry brings to the communities, prior to passing another increase.

Number 1955

REPRESENTATIVE HAYES asked Mr. Lewis why he didn't invite some of his employees to testify, those making the wages he mentioned in his testimony.

MR. LEWIS said he would be happy to arrange to have people tell the committee what they make. He said he doesn't employ anyone who makes only minimum wage. He mentioned that he has some challenged employees and pays them above minimum wage; he is not taking advantage of some of the government programs.

MR. LEWIS said he probably has 100 tipped employees and guesses his costs associated with reportable tips to be \$8,500 per month for one of his businesses.

REPRESENTATIVE HALCRO asked Mr. Lewis if it would be safe to say that if he has employees who are getting a tremendous amount of tips, that would translate into better customer service, and, therefore, the customers would be repeat customers.

Number 2101

MR. LEWIS replied that if employees are not getting those types of gratuities, then chances are they are not professional servers and won't be around long. The servers look at themselves as professionals and are not even called "wait staff" anymore. He said it is a very lucrative business.

REPRESENTATIVE KOTT ask Mr. Lewis what the industry would think if the state passed legislation similar to that in Europe, where a 15 percent gratuity is attached to a customer's check.

MR. LEWIS responded that for Americans, this is not "our cup of tea" and we don't like to be told what has to be left on the table.

Number 2238

ROBERT SITER, Owner, Gwin's Lodge, via teleconference, said Mr. Frey from the AFL-CIO had implied that the tip-credit allowance is not a national norm; he said this is incorrect. According to the nation's restaurant news magazine - which compiled a list of the top 50 cities, restaurants, and countries, including 29 states and Washington, D.C. - all but five states have a tip-credit allowance. He pointed out that it is not something that would cause Alaska to get ahead of the rest of the country because Alaska is actually lagging. He said the tip credit is an important element to help business owners strike a balance between the tipped and non-tipped people.

MR. SITER said he thinks the tip credit is an essential element. He could give the non-tipped people a bigger raise if he had

more flexibility in how he deals with the mandated raises for people who don't need it and aren't looking for it.

Number 2324

REPRESENTATIVE KOTT echoed Mr. Siter's comments and said it sounded as if Mr. Siter would be supportive of a minimum-wage increase if it could be offset with a tip credit.

MR. SITER said he already pays above what the bill calls for, and he believes that it will increase prices indirectly. He said for him, the "tipped-out employees" would be where he would feel the impact. Responding to a question about tips being an indicator of customer service, Mr. Siter said [tips] reflect the entire operation. When customers tip, they are tipping the whole business, realizing that wait staff are the frontline of customer service. He pointed out that good tips bring back employees, and said he hasn't lost a waitress in six years.

MR. SITER, responding to a question about his lodge's tip pool, said 15 percent goes to the people in the kitchen, and the wait staff see it as a good situation.

TAPE 01-18, SIDE B

REPRESENTATIVE CRAWFORD said even though it says that 43 out of the 50 states actually have a tip-credit law, they don't all recognize a credit for tips. California has a tip-credit law but doesn't allow tip credits, and it varies throughout the states. For example, Hawaii allows a 20-cent tip credit if one can prove that he or she has gotten 70 cents an hour in tips. He said Alaska would be the only state on the West Coast that would have a tip credit, if it were enacted.

Number 2438

MR. SITER said ironically, that anomaly aligns well with the fact that the West Coast states also have the highest minimum-wage rate; obviously, there is philosophical thing that aligns the two factors together.

REPRESENTATIVE HALCRO said he is having a hard time understanding why the legislature would punish or take away tips from someone who receives tips by doing a good job. He said he is not sure how the tip credit helps employers.

Number 2396

MR. SITER responded that he is no expert on it, but his understanding is that as long as these employees are getting tips and can be guaranteed that they are making at least minimum wage with tips, then there is a wage credit for that amount of tips based on what the state establishes. He said [the different programs between states] range from as low as \$.40 in Hawaii to \$3.26 in Rhode Island, but most are between \$2.00 and \$3.00 an hour. The idea is by having the credit, employers can spread around the wage rates to where they are having the most difficulty in retaining employees. He said he thinks the industry brings more to the table for tipped employees than for others.

CHAIR MURKOWSKI said there has been a good discussion of the possible options, and mentioned that at some point a subcommittee will "hash it all out." She said members also need to understand how the tip credits work.

REPRESENTATIVE HAYES mentioned that the Cabaret Hotel and Restaurant Retail Association (CHARR) industry was going to be providing the committee with information and asked if staff could contact them to get the information that the DLWD didn't have.

CHAIR MURKOWSKI commented that there were letters distributed to committee members from individuals who were not necessarily associated with CHARR. She pointed out that Mr. Sutherland from Wendy's Restaurant, who testified via teleconference, is the chairman of the Anchorage Restaurant and Beverage Association (ARBA), and Mr. Jack Amon, who testified at the first hearing, was also on the board of ARBA; she said they would follow through with that and get the information to the committee. She thanked the DLWD for the information they provided.

[Committee staff noted that Kace McDowell, Executive Director, CHARR, had called to listen-only online, but was not listed to testify.]

REPRESENTATIVE KOTT commented that there had been few people who testified online in opposition to the bill, when considering the number of businesses and restaurant owners in this state. He said the committee heard from about six.

REPRESENTATIVE KOTT said the tip credit is a redistribution of wealth and "we" are punishing someone from providing a good service. He said if "we" were going to move in the direction of

a credit, he would rather give employers a tax credit, since they are paying 11 percent on costs that they can't control. [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 5:55 p.m.