

ALASKA STATE LEGISLATURE
SENATE LABOR & COMMERCE COMMITTEE

April 28, 2001
9:35 a.m.

MEMBERS PRESENT

Senator Randy Phillips, Chair
Senator Alan Austerman
Senator Loren Leman
Senator John Torgerson
Senator Bettye Davis

MEMBERS ABSENT

All Members Present

COMMITTEE CALENDAR

SENATE BILL NO. 202

"An Act relating to the employment of persons 14 years of age or older and under 21 years of age on licensed premises, including hotels, restaurants, or eating places; relating to possession, control, or consumption of alcoholic beverages by a person under 21 years of age; and relating to hours of work of minors under 16 years of age."

SCHEDULED BUT NOT HEARD

SENATE BILL NO. 189

"An Act relating to motor vehicles; and providing for an effective date."

HEARD AND HELD

SENATE BILL NO. 151

"An Act relating to the Bristol Bay Salmon Classic; and providing for an effective date."

MOVED SB 151 OUT OF COMMITTEE

HOUSE BILL NO. 212

"An Act relating to an employer's liability for providing workers' compensation coverage."

HEARD AND HELD

SENATE BILL NO. 132
"An Act relating to minimum wages."

HEARD AND HELD

SENATE BILL NO. 46
"An Act relating to increasing the minimum hourly wage under the Alaska Wage and Hour Act; and providing for an effective date."

HEARD AND HELD

CS FOR HOUSE BILL NO. 186(L&C)
"An Act relating to a municipal enhanced 911 surcharge on wireless telephones."

MOVED CSHB 186 (L&C) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

SB 189 - See Labor and Commerce minutes dated 4/19/01.

SB 151 - No previous action to consider.

HB 212 - No previous action to consider.

SB 132 - No previous action to consider.

SB 46 - No previous action to consider.

HB 186 - See Community and Regional Affairs minutes dated
4/27/01.

WITNESS REGISTER

Mr. Steve DeVries, Assistant Attorney General
1031 W 4th St.
Anchorage AK 99501

POSITION STATEMENT: Commented on SB 189.

Ms. Luanne Pelagiu, Executive Director
Bristol Bay Native Corporation Education Foundation (BBNCEF)
P.O. Box 202243
Anchorage AK 99520

POSITION STATEMENT: Supported SB 151.

Mr. Frank Hill, President
Bristol Bay Native Corporation Education Foundation
12321 Audubon Circle

Anchorage AK 99516
POSITION STATEMENT: Supported SB 151.

Mr. Paul Grossi, Director
Division of Worker's Compensation
Department of Labor & Workforce
Development
PO Box 21149
Juneau, AK 99802-1149
POSITION STATEMENT: Commented on SB 151.

Mr. Al Wilson, Chairperson
Alaska State Homebuilders Association
No address provided.
POSITION STATEMENT: Commented on HB 212.

Mr. Charlie Miller
Alaska National Insurance Co.
P.O. Box 102286
Anchorage AK 99510
POSITION STATEMENT: Commented on HB 212.

Ms. Sheila Gardener, Staff
Senator Bettye Davis
State Capitol Bldg.
Juneau AK 99811
POSITION STATEMENT: Commented on SB 132.

Commissioner Ed Flanagan
Department of Labor and Workforce Development
PO Box 21149
Juneau, AK 99802-1149
POSITION STATEMENT: Supported SB 46.

Mr. John Brown, President
Fairbanks Central Labor Council
819 1st Avenue
Fairbanks AK 99701
POSITION STATEMENT: Supported SB 46.

Mr. Steven Joswiak
United Food and Commercial Workers Local 1496
59 College Rd., Suite 201
Fairbanks AK 99709
POSITION STATEMENT: Supported SB 46.

Mr. Jim Sampson
1000 Bennett Road
Fairbanks AK 99709
POSITION STATEMENT: Supported SB 46.

Mr. Don Ethridge
AFL-CIO
710 W. 9th St.
Juneau AK 99803

POSITION STATEMENT: Supported SB 46 and SB 132.

Mr. Marvin Jones, President
Hotel and Restaurant Employees Union Local 878
530 E 4th Ave.
Anchorage AK 99501

POSITION STATEMENT: Supported SB 46 and SB 132.

Mr. Jim Calhoun
10905 Kamishak Bay Circle
Anchorage AK 99515

POSITION STATEMENT: Supported SB 46 and SB 132.

Ms. Tora Gerrick, Secretary/Treasurer
Hotel and Restaurant Employees Union Local 878
530 E 4th
Anchorage AK 99501

POSITION STATEMENT: Supported SB 46 and SB 132.

Mr. Jack Amoun, President
Alaska Restaurant and Beverage Association
627 W 3rd Ave.
Anchorage AK 99501

POSITION STATEMENT: Opposed SB 46 and SB 132.

Mr. Alonzo Patterson
American Baptist Church
3727 William St.
Anchorage AK 99508

POSITION STATEMENT: Supported SB 46 and SB 132.

Mr. Mee Son Chong
7000 Chad St.
Anchorage AK 99508

POSITION STATEMENT: Supported SB 46 and SB 132.

Mr. Mano Fry, President
AFL-CIO
2501 Commercial Dr.
Anchorage AK 99501

POSITION STATEMENT: Supported SB 46.

Ms. Fay Gavin
2121 W 8th
Anchorage AK 99517

POSITION STATEMENT: Supported opposed tip credits.

Mr. Ray Lacey
1473 W 25, #23
Anchorage AK 99503
POSITION STATEMENT: Supported SB 46 and SB 132.

Ms. Sue Bailey
4205 Garfield
Anchorage AK 99503
POSITION STATEMENT: Supported SB 132.

Ms. Angela Lipton, Director
Department of Justice
Catholic Archdiocese of Anchorage
No address provided
POSITION STATEMENT: Supported SB 46.

Ms. Mary Jo Audecte
Sheraton Hotel Server
No address provided
Anchorage AK
POSITION STATEMENT: Supported SB 46.

Ms. Lucy Vincent
Sheraton Hotel Worker
No address provided
Anchorage AK
POSITION STATEMENT: Supported SB 46.

Mr. Darrel Tseu
Inlandboatmen's Union of the Pacific
3017 Clinton Dr., #201
Juneau AK 99801
POSITION STATEMENT: Supported SB 46.

Ms. Caren Robinson
Alaska Women's Lobby
P.O. Box 33702
Juneau AK 99803
POSITION STATEMENT: Supported SB 46 and SB 132.

Ms. Berit Eriksson
Inlandboatmen's Union
3017 Clinton Dr., #201
Juneau AK 99801
POSITION STATEMENT: Supported SB 46.

Ms. Pam LaBolle, President
State Chamber of Commerce
217 Second Street, #201
Juneau AK 99801

POSITION STATEMENT: Commented on minimum wage issues.

Mr. Jim Nordlund, Director
Division of Public Assistance
Department of Health &
Social Services
PO Box 110601
Juneau, AK 99801-0601

POSITION STATEMENT: Supported SB 132 and SB 46.

ACTION NARRATIVE

TAPE 01-22, SIDE A

Number 001
#SB189

SB 189-MOTOR VEHICLE SALES AND DEALERS

CHAIRMAN RANDY PHILLIPS called the Senate Labor & Commerce Committee meeting to order at 9:35 a.m. and announced that the sponsor of SB 202 asked him to hold the bill and that the committee would take up SB 189 for consideration.

MR. STEVE DEVRIES, Assistant Attorney General, said the House was currently working on the House version with dealers and manufacturers and he hoped a compromise could be made. He thought this version was the one that could realistically meet the concerns of the Department of Law.

There were no questions from the committee.

CHAIRMAN PHILLIPS announced they would hold SB 189 for a further hearing.

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#SB151

SB 151-BRISTOL BAY SALMON CLASSIC

CHAIRMAN PHILLIPS announced SB 151 to be up for consideration.

MR. TIM GRUSSENDORF, Staff to Senator Hoffman, said SB 151 adds the Bristol Bay Native Corporation Education Foundation (BBNCEF) to an existing law, which authorizes salmon classics and allows the Foundation to raise money for scholarships.

MS. LUANNE PELAGIU, Executive Director, BBNCEF, supported SB 151. She said they currently do fund raising and that it would provide additional opportunities for fund raising and revenue for their scholarship program.

MR. FRANK HILL, President, BBNCEF, supported SB 151 and said the primary purpose of the bill was to allow them to have other options for fundraising to develop the Foundation.

SENATOR TORGERSON moved to pass SB 151 from committee with individual recommendations with the accompanying fiscal note. There were no objections and it was so ordered.

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#HB212

HB 212-WORKERS' COMP:CONTRACTORS & SUBCONTRACTOR

CHAIRMAN PHILLIPS announced HB 212 to be up for consideration.

REPRESENTATIVE LISA MURKOWSKI, sponsor, explained that statutes don't require sole proprietors to have worker's compensation insurance and this has caused problems when the Worker's Comp Board makes a determination that an employee or sole proprietor is construed to be an employee of the general contractor. "As a consequence, there are assessments to the general for the worker's compensation insurance, it causes uncertainty in the bidding process..."

She said this issue has been a problem for quite some time and that a state wide task force had been set up to look into it. HB 212 is the result of that compromise. It requires that sole proprietor entities maintain worker's comp insurance, which will add an increased cost to that sole proprietor.

SENATOR AUSTERMAN asked how "sole proprietor" is defined.

REPRESENTATIVE MURKOWSKI replied that it is defined as an individual or an entity that is working for himself. They are an independent contractor. This has been part of the problem.

SENATOR AUSTERMAN asked if there was any discussion about a sole proprietor who had no employees.

REPRESENTATIVE MURKOWSKI replied that he would be required to have worker's comp coverage.

SENATOR AUSTERMAN said he understood that a sole proprietor could have 40 employees.

REPRESENTATIVE MURKOWSKI responded that was correct and that a sole proprietor business is owned by the individual.

SENATOR AUSTERMAN asked if there was discussion about making a sole proprietor with no employees exempt from this requirement.

REPRESENTATIVE MURKWOSKI replied that they didn't have that discussion in committee.

SENATOR LEMAN said if this represents a compromise, what were the other proposals. He thought it seemed to be an aggressive move into an area where they hadn't gone.

MR. PAUL GROSSI, Director, Division of Worker's Compensation, clarified that this only deals with subcontractors. It isn't for all sole proprietors. "A sole proprietor by definition has no employees."

He said this bill just deals with a narrow focus when you have a subcontractor situation. The problem is when you try to determine if that person is an employee or truly a subcontractor. "That's a pretty gray area - especially if the contractor has an actual employee doing basically the same work."

MR. GROSSI said the problem is that there is risk out there. He said they don't have that many claims, but insurance companies audit a contractor and tell the state they should have covered a person because they could be construed as an employee. The insurance company, then, backcharges for premium. This is after the contract has already been let and the funds can't be recovered. He said that all this does is recognize that there is a risk and allows for it to be covered through contracts and things like that.

He explained that the compromise came in when they decided how to do a waiver. You really can't get rid of all risk. A person could sign a waiver and still come in and say they were required to do it by the contractor. They could go to the courts even if they couldn't go to the board.

SENATOR LEMAN asked if this covered all subcontract relationships in all professions.

MR. GROSSI replied that it would. He said their primary problems have come from home builders and construction.

SENATOR LEMAN asked why they didn't limit it to the professions where they had problems.

MR. GROSSI responded that the risks would be out there for anybody. Basically it was easier to see the relationship when using a contractor/subcontractor standard. For instance, if a homeowner

contracted to have their house painted, the board would never rule that is a subcontractor situation. Basically the homeowner is just a consumer. That would be true in most contract situations.

SENATOR LEMAN said that most medical doctors and dentists are set up as their own professional corporations or sole proprietorships. He wanted to know if this reached into those areas.

MR. GROSSI answered that he didn't think most of those situations were subcontractors.

SENATOR LEMAN asked about situations where they contract with someone to fill a spot and it's not done on an employee basis. That person operates independently and makes independent judgments. They are under some master clinic like the Alaska Native Tribal Health Consortium.

SENATOR AUSTERMAN said he couldn't imagine that this insurance would be cheap.

MR. GROSSI responded that this wouldn't cover a homeowner purchasing a carpet and having it put into their homes. He said an example of a carpet and vinyl installer premium was \$1,467 per year.

REPRESENTATIVE MURKOWSKI reaffirmed that there would be nothing in the bill that would specifically exempt the medical community.

MR. AL WILSON, Chairperson, Alaska State Homebuilders Association, said their problems arise when their audits are done at the end of the year. He explained if his cabinet maker sends his crew out to install the cabinets, they are required to be covered with worker's compensation. When the sole proprietor is on his job site, he wanted to know if he was an employee since his policy doesn't cover him. "It ends up on my policy and more importantly at the end of the year, my insurance carrier comes back and picks those guys out and get to pay the premium on them...We are not wholeheartedly behind this, but it takes care of the problems."

MR. WILSON said his framing subcontractors pay \$2,500 per year. This is an insurance policy that if they were to buy it independently as health insurance, it would cost them a minimum of twice as much and it would only cover them when they're not on the job. Another benefit of the policy is that if it's in place regardless of what claims come out of employees or subcontractors, that's the end of it right there. It doesn't work its way up the chain.

SENATOR LEMAN said he thought the coverage he described only covered work related injuries and did not extend to a health problem outside of work.

MR. WILSON said that was correct.

Number 1600

REPRESENTATIVE OGAN said he got into government because he was frustrated with all the things government imposes on small business people. He recently slipped on some ice and broke his leg and if he was less than an honorable person, he might have put in a worker's compensation claim. A lot of sole proprietors don't have health insurance and he thought they needed to consider the potential for fraudulent claims. This bill would create a whole lot of outlaws, because a lot people simply won't get the insurance. He offered to work with the sponsors.

MR. CHARLIE MILLER, Alaska National Insurance Company, said the two ways to handle this are to clarify in statute somehow that no matter what the cause, a sole proprietor who has taken advantage of this exemption for the requirement of worker's compensation insurance, never has coverage. That is a very difficult thing to craft in statute and isn't good public policy. If a subcontractor is forced by an unscrupulous contractor to declare sole proprietor status to get work and then work only on that job using their tools under the other job conditions that are set up for an employee, there should be coverage for him. "The task force came to the conclusion that the only way to handle this is to come up with a requirement of coverage..."

He explained that the audits need to be flexible so the amount of premium changes if the job is longer or shorter than originally estimated. If an unscrupulous proprietor decides to file a fraudulent claim, that money comes out of people's pockets.

The only way we could come up, as a task force, with something that was fair to everyone was to dictate, take the ambiguity out of it, the unpredictability out of it, and dictate coverage. The coverage available to sole proprietors is very limited in the market. It's often impossible to get it. That is why the State of Alaska set up an assigned risk pool. So that anyone that can't get coverage is assigned to a carrier that writes worker's compensation in the State of Alaska and they get a policy that is basically subsidized. They are all put into a pool for economies of scale and are assigned to a carrier. The administrative carrier takes care of the

premium, does the claims management if there is an injury on the job and it's handled that way.

They are not paying the same rate as a regular employer either - because they pay a minimum premium that has been established at \$20,000. So, as a contractor, if you pay someone \$100,000 at the carpenter rate, you pay for the entire \$100,000 formula. As a sole proprietor, at \$20,100, your payroll stops and everything you are paid after that is taken out of the equation. So, you only pay an insurance premium as if you were paid \$20,000 for the entire year, no matter how much you work. So, if an employer hires someone to do the exact same work, they pay the rate at the full payroll, which may be five times as much. So, the sole proprietors are not providing a windfall to insurance carriers and they're not losing any kind of competitive edge. All they're doing is being asked to be responsible as everyone else is and not slough their costs off on other participants in this whole project.

So, we spent a lot of time trying to figure out a way to make it an option for sole proprietors, but the only thing you can do that is to put additional risk on the general contractor and their carriers. We don't think that's fair. If the legislature can find a way to do so and relieve everyone else from this unpredictable risk, we would be glad to entertain it. But a lot of people spent a lot of time trying to do that and they couldn't. This is the best possible solution in our opinion for everyone involved including the sole proprietor.

CHAIRMAN PHILLIPS thanked him for his testimony and said he would hold the bill for further work.

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#SB46
#SB132

SB 46-INCREASE MINIMUM HOURLY WAGE
SB 132-MINIMUM WAGE

CHAIRMAN PHILLIPS announced they would take up Senator Davis' bill first, SB 132.

MS. SHEILA GARDNER, Staff to Senator Davis, explained that SB 132 seeks to raise Alaska's minimum wage, currently \$5.65 per hour. Washington, Oregon and California all have minimum wages that are set higher than Alaska's. While Alaska's minimum wage has risen in

terms of actual dollars, it has failed to keep up with the rate of inflation. Over time, this has dramatically hurt Alaska's working poor. "CSSB 132, while not inflation proofing Alaska's minimum wage will require that employers pay employees at a rate of not less than \$6.90 an hour or \$1 an hour more than the prevailing federal minimum wage. By making this change, Alaskans currently working at the minimum wage will have a chance at making livable wages.

She said further:

Why increase Alaska's minimum wage? In 1999, Alaska had approximately 47,000 men, women and children living on minimum wage incomes. The myth is that minimum wage earners are mostly teenagers who work to earn pocket money. Yet, according to statistics released by Alaska's Department of Labor, most minimum wage earners are adults. In 1996, U.S. Labor Secretary, Robert Rice, remarked the vast majority of time the majority of us are content to allow the market to dictate who should get what and how much. Capitalism works best when it is unfettered, but there are times and there are conditions when we insist on minimum standards of fairness. Alaska can and should do more to help our fellow Alaskans live with respect and dignity by helping them attain a level of economic independence. Raising the minimum wage will help achieve the goal. I would respectfully ask for your support of SB 132.

COMMISSIONER ED FLANNIGAN, Department of Labor and Workforce Development, said this is an important issue that should be acted upon by the legislature. He said when the Governor first raised this issue, there was a gratifying consensus that something needed to be done and 106 days later, they are "almost stuck on go."

He said further that Senator Davis's staff had covered the larger issues, but he wanted to mention a couple of particulars:

Anybody working at the minimum wage in the State of Alaska, and there are people that do this, working at a level that would keep that at poverty even with a substantial raise. This is not right and we hope we can address, through the legislation, getting our minimum wage more on track to represent some basic standard of sustainable living for folks that are in the low income brackets.

We have some survey data from 1998 that approximately 14,000 workers or 5.5 % of wage and salary employment in this state received hourly wages under \$6.75. We have

ranges and that's the best we could do as far as how particular between \$5.65 and \$6.74. That was in a fourth quarter, so those numbers would presumably be higher during the seasonal summer quarter. There has been a lot said and I would certainly be available...

COMMISSION FLANAGAN said the main reason the bill has been held up is opposition from primarily the restaurant industry over the issue of a tip credit which was before the legislature a couple of years ago. He said:

It is true that a majority of states have a tip credit. There are few, if any states on the west coast, Alaska has never had it. Governor Knowles, who speaks with some authority with 30 years of meeting the payroll and employing people in the food service industry is adamantly opposed to a tip credit and feels that it's not a proper thing to include in any legislation and ask your consideration...

He said the Governor's bill proposes a tie to the consumer price index to keep the wages from falling. "Right now the only indexing is a tie to the federal minimum wage. We're 50 cents over the federal. That was set in 1959 when the federal minimum wage was \$1. So, we had a 50 percent differential for Alaska and now we're down to less than a 10 percent differential."

Number 2300

MR. JOHN BROWN, President, Fairbanks Central Labor Council, said he supported SB 46. "Many people who come to work every day and work hard deserve a living wage. It's the right thing to do. At the current minimum wage, that's just not happening. This is a level wage. It doesn't make any business any less competitive. Everyone comes up together."

TAPE 01-22, SIDE B

MR. BROWN urged the committee to pass the bill containing indexing to the consumer price index, which would hopefully keep them from having to address this again. He supported the Governor's bill, but said that SB 132 would be better than nothing.

MR. STEVE JOSWIAK, United Food and Commercial Workers Local 1496, said he supported the Governor's bill, SB 46. "There are a lot people out there who are working, not just kids who are making minimum wage, but adults. I think the Governor's bill is the way to go tied in with the CPI...It's been too long to see any raises of minimum wage. If we could have the CPI in there, we don't have to come back to the table and do this every five or six years..."

MR. JIM SAMPSON, Fairbanks resident, supported any movement by the Alaska legislature to increase the minimum wage for Alaska's workers. He said he is one of three sponsors on a petition that was recently certified and they plan on being successful in collecting 28,000 signatures to put it on the ballot in the November general election. He said their initiative mirrors the Governor's legislation that would increase the minimum wage to \$7.15 an hour and index it every year thereafter. "The only difference is that we have one small change. Currently, Alaska law says that our minimum wage will be 50 cents over federal minimum wage. Our petition pegs that at \$1 over minimum wage.."

MR. DON ETHRIDGE, AFL-CIO, said they also support increases to the minimum wage. Their preference is the indexing method, but he said, "We'll take what we can get at this time."

MR. MARVIN JONES, President, Hotel and Restaurant Employees Union Local 878, opposed a tip credit for Alaskans. He personally knows a large number of employees who work two or three jobs in order maintain a decent life. A tip credit would lessen the quality of life for all Alaskans.

MR. JIM CALHOUN said he worked at the Sheraton Anchorage Hotel as a tipped employee and supported the no tip credit language in SB 46 and SB 132. He said, "As a tipped employee in the Anchorage, I have two children and one on the way. I work two jobs to allow my family to live a lower middle class life style. I speak for many people in the Anchorage area when I say that we will fight passionately any attempt to institute a tip credit or a two tier minimum wage system for tipped employees."

MS. TORA GERRICK, Secretary/Treasurer, Hotel and Restaurant Employees Union Local 878, supported the no tip credit language in both of the bills. They prefer SB 46 and are supporting the petition effort. "I want to implore the Senate and House representatives, as well as the Governor, to please not punish working people from doing a good job via a tip credit."

MR. JACK AMOUN, owner of Marx Brothers Café, said he is also President of the Alaska Restaurant and Beverage Association. They are strongly opposed to both increases in the minimum wage. He testified:

While on the surface raising the starting wage may seem like a simple thing to do, the effects of a mandated wage hike are far more complex especially in regards to the restaurant industry...I think it is important that we dispel the misconceptions about who the minimum wage earners are in restaurants and we should look at how it

affects the two segments of our industry, both in table service restaurants and in quick service or fast food operations. In table service restaurants, the only minimum wage workers are, in fact, our tip employees who do receive a major portion of their wages in tips. I've described the tips as wages because to the federal government and IRS tips are, in fact, wages and are treated as such for withholding as payroll taxes.

Employees are required to report all tips received and employers are required to insure compliance. We are subject to audits and there have been cases where employers have been held liable for unreported tips and assessed fines and penalties by the IRS. In my restaurant, tipped income reported by my servers averages between \$13 - \$25 per hour... Red Robin and Applebee's servers averaged \$12 - \$20 per hour in tipped income. Our hostesses and busboys are all paid above minimum wage with prevailing wages for dishwashers and prep cooks from \$7 - \$12 per hour. The federal government recognizes how tip income works and allows employers to apply a portion of that to offset minimum wage requirements. The tip credit is currently law in 43 states. Alaska is one of only seven states with no tip credit.

As written, both of these bills would force employers to give raises to our most highly compensated employees and the effect of this is often a freeze in the back of the house wages. Our kitchen staff often bears the brunt of this.

The increase in labor costs cannot be made up in sales and price increases. After the last wage hike, La Mex in Anchorage was forced to limit its health insurance for its employees and Red Robin eliminated paid vacations. Operations are often forced to freeze wages paid to kitchen staff.

Restaurants operate on slim profit margins. According to a National Restaurant Association industry operations survey, net returns for successful restaurants average between 5 - 8 percent of gross revenues. The restaurants are labor intensive and table costs run between 25 - 30 percent of gross.

The quick service segment of the industry provides the first job for over 60 percent of America's teenagers. These first time employees enter the workplace with

little or no skills. Training costs are high. In fact, studies done by the National Restaurant Association reveal that the majority of minimum wage earners are in fact teenagers with a household income in excess of \$50,000 per year. Employees do not stay at this starting wage for long. Again, the federal government recognizes the role restaurants play in starting young people in the workforce by providing a training wage.

Federal statutes allow employers to pay new employees under 18 a lower than minimum wage for the first 90 days of employment. Alaska has a training wage, but the requirements are so restrictive that it's not feasible for employers to take advantage of it.

Another impact on the fast food industry and restaurants in general has to do with salaried management personnel. Under Alaska labor law, if we have a management personnel on salary that has to do front line employee tasks for 20 percent or greater of their time, they are paid two and half times the minimum wage. Currently, these salaries are in the \$29,000 per year range. That would force increases to the \$34,000 per year. I don't know another industry that is paying people close to \$30,000 where they are considered minimum wage employees.

In summation, an increase in the starting wage will hit restaurants hard. We'll be forced to raise wages for employees currently earning between \$15 - \$20 per hour. Quick service restaurants will have a tough time being able to give young persons a start. I encourage you to oppose both of these bills. Thank you very much and I'd be happy to answer questions.

SENATOR DAVIS said that he mentioned he had dishwashers making \$10 - \$12 an hour and asked if they were full-time employees or part-time and what kind of benefits did he provide if they were full-time.

MR. AMOUN responded that sometimes they are full-time and sometimes part-time. They offer a group health insurance plan that employees can elect to participate in. Due to rising health insurance costs and increased labor costs, they can no longer cover at 100%, so it requires a contribution on the part of the employee. They also offer a one-week paid vacation after anyone has been with them for one year.

SENATOR DAVIS asked if most of the people he employees at that level are part-time.

MR. AMOUN answered that it varies. He has a small operation. He has a full-time prep cook, a full-time dishwasher and a part-time dishwasher.

SENATOR DAVIS said it is true that many teenagers come into these jobs, but in Anchorage lately, she sees more seniors work in some of the fast food restaurants than young people. She asked if he had that problem.

MR. AMOUN replied that was not a problem for him, but he thought this was an important bill. He said he could have other operators come forward like Larry Baker from Burger King, Jay Southerland who owns Wendy's and a former McDonalds owner.

MR. ALONZO PATERSON said he represents the American Baptist Church, the Alaska Right to Leadership Conference and other groups that deal with low-income wage earners across the State of Alaska. He supported the minimum wage increase, because of a number of reasons. His church's constituents run the gamut in terms of income wage earners. Many of them are low-income wage earners and borderline survivors. Many people who are returning to society from correction are forced to return to crime because the income is so low they are unable to survive.

He said his church is at the entrance of a low-income community where they live and work with many people. He said they see many people who have to see people trying to survive each day. He said further:

I think they are being used or manipulated by the society because they are allowed to be deprived of an adequate income. While I recognize that this increase will not satisfy all of the needs of my constituents, it will go far to help in alleviating much of the burden.

If you look at the rental costs, the full costs and other costs in our society today, this kind of income set provokes, in my opinion, criminal behavior for survival or cheating or many other devious means that sustain the prisoners. Again, many inmates who come out are unable to live, as people who know they have been in the institution use them because they are able to get away with it. Our church is one of the work stations for the Department of Corrections and many of those persons who are coming out of [indisc.], we do try to help them in getting jobs and work experience.

We also work a lot with the Brother Francis Shelter where many of these people end up at the bottom of the rung and

again they become a breeding ground for all kinds of behavior that is consistent with the efforts to try to survive.

I believe that raising the minimum wage will relieve the burden first of all on Alaska housing, particularly Section 8 housing where many of these people who live at the cutting edge of poverty and deprivation will have a chance to at least get minimum housing rather than looking to the state to provide housing.

I also believe that the passing of this legislation will lower, somewhat, the crime rate. That may be optimistic on my part, but I just believe that if people can get an adequate income, they are able to get better housing and have a better living and be less tempted to go back into crime.

Finally, I believe that the raising of this minimum wage would give families more pride in themselves because they do not have to live as beggars of our society and they will have the opportunity to hold their heads up, buy adequate cloths for their children, adequate food for nourishment and will at least be able to live with their neighbors without having to drop their heads. I fully support this bill.

CHAIRMAN PHILLIPS asked if he liked one bill better than the other or just liked the concept.

MR. PATTERSON replied that he came to support SB 132, but at a minimum, he fully supported SB 46.

MS. MEE SON CHUNG said he is a housekeeper. He used to have two jobs, but now he is older and has one. When he sees people working in restaurants, he knows they cannot survive like that. He thought they needed to raise the minimum.

MR. MANO FRY, President, AFL-CIO, asked Dr. Patterson if he would help them with their petition initiative to get enough signatures to get the issue on the ballot in 2002. He then thanked the committee for hearing this bill and strongly supported the effort to raise the minimum wage. "It's critically important to this state."

He said that in SB 46 the Governor mentions at the current level, if a single parent of a family of three works full-time at the current minimum wage, they're at 66% of poverty level.

Under the same scenario, if it increases his rate of pay to \$7.15 an hour, it would take that same person up to a bit below 84% of the poverty level, still well under the poverty level for a person working full-time. It's not like we're trying to shoot for the moon. The Governor's effort is a two-step process as is Senator Davis'...

MR. FRY said their petition effort is similar to what they did in 1999 when their signature numbers fell short of qualifying for the ballot. They have mirrored the governor's effort of pegging the minimum wage at \$7.15 an hour. The biggest difference between the governor's bill and Senator Davis' bill is that his is indexed to the consumer price index after the second raise.

MR. FRY explained:

Those employees that receive tips, the more the tipped employees earn, the better off the owners have to be. And if the tipped employees are making \$50 an hour, it can't mean anything but good for the owner, because it means that people are being taken care of and you're being able to reward those that mean the most to your establishment in not just bringing in additional business, but having repeat business. It boggles my mind not paying tipped employees at least a minimum wage...

MS. GARDENER clarified that a CS had been offered on SB 132 and those were the statistics she quoted in her presentation.

SENATOR DAVIS said that she appreciated Mr. Fry's testimony and she also supported the governor's bill. Her bill was supposed to be 50 cents above the federal level, which hasn't been raised in a long time ('60s). This has made our state one of the lowest paying states in the Northwest.

MS. FAY GAVIN said that she works at the Sheraton in Anchorage and wanted to go on the record as opposing any tip credit in any bill, but she agrees with a living wage. "I do not agree with a minimum wage, because a minimum wage keeps people in poverty."

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MR. RAY LACEY said he works at the West Coast International Hotel as a porter and said, "I'm adamantly opposed to the tip credit. I've seen too many waiters and waitresses actually lose money working an eight-hour shift."

CHAIRMAN PHILLIPS asked if he supported the concept of the bills.

MR. LACEY said he does.

MS. SUE BAILEY said she works at the Hotel Captain Cook and is a member of Local 878 and she fully supported the governor's bill. She adamantly opposed any introduction of a tip credit. It's not right to let the customers pay for the wage. "We're tipped because of good service!"

MS. ANGELA LIPTON, Director, Department of Justice, Catholic Archdiocese of Anchorage, said, "There is a concern that both bills maintain families at a poverty level, particularly now that we work so diligently to move families from welfare to work. It's hardly fair to then maintain those families in poverty."

However, Ms. Lipton said that SB 46 seemed to be the more long-term solution.

By indexing the wage to the consumer price index employees have the security of knowing they needn't depend on politics of the day to maintain a decent wage and it also allows businesses to project their labor costs in modest increments. We feel that employment is the first line of defense against poverty, but makes no sense at all if workers are maintained below the poverty level. I encourage you to act on behalf of low-income workers and support SB 46. Thank you.

MS. MARY JO AUDECTE said she is a part-time server at the Sheraton Hotel and has worked in a state that has a tip credit. She said, "It is very disheartening to work in that situation. I am very supportive of the governor's minimum wage bill and very opposed to the tip credit."

MS. LUCY VINCENT said she works for the Anchorage Sheraton Hotel and supported SB 46 and opposed the tip credit.

MR. DARRELL TSEU, Inlandboatmen's Union, supported SB 46. He said:

In a past life, I also worked just above minimum wage with a wife and a child. I had about 45 cents more than minimum wage. Unfortunately, that wage did not support my family. I was on rent subsidy and food stamps and it was really embarrassing for me as a Republican to be in that position...

He said that his philosophy is that an employee is not a liability to a business; he's a resource. As a food and beverage manager of a hotel, he realized that it costs the company money every time it loses an employee. "Whenever you pay someone a lower wage, they're always going to be seeking a higher wage..."

He said it takes up more of his time to train someone new and setting up their accounts, etc. He talked with state officials and found that the average marine employee costs the state about \$3,000 to train in keep in employment.

CHAIRMAN PHILLIPS asked him how he came to testify today.

MR. TSEU replied that he is interested in both the governor's and Senator Davis' bills. "Because I have experienced it myself at first hand, it is important for me."

MS. CAREN ROBINSON, Alaska Women's Lobby, supported both SB 46 and SB 132. She said the most important thing from their standpoint is:

The single mother who, either through domestic violence, divorce, or death in the family is back into the workforce and I don't think any of us should be under any notion that even at the rate we're raising this that it's going to bring women and children in this state out of poverty.

She said that as an owner of three small businesses, she never paid her staff just the minimum wage. She understands that any kind of increase adds to the cost of doing business, but she has seen that she spends a lot of time and energy on retraining and recruiting and starting all over again. "I can see how keeping someone happy in the workforce really makes a difference in keeping your costs down."

MS. BERIT ERIKSSON, Inlandboatmen's Union, said that previously she worked as a waitress for many years and worked in a state with tip credit. She is very much in favor of the governor's bill and opposed tip credits.

Working under a tip credit system, I was working seven days a week, split shifts and hardly making ends meet. Not everyone works in a high-ticket restaurant. Most people work in your average everyday restaurant and it's very hard to make ends meet under those circumstances.

MS. PAM LABOLLE, President, Alaska State Chamber of Commerce, said that she did a survey of the membership on this issue and discovered of the respondents that only six percent of them pay the minimum wage for a starting wage; 69 percent pay \$8 an hour or more for starting employees.

So, this was not as critical an issue to them as it is to some other organizations with a different kind of membership. They were surveyed on the governor's bill and were evenly split; one-third felt that we should increase

the minimum wage to \$6.40 next year, 32 percent said no we shouldn't and 28 percent were undecided. As far as raising it to \$7.15 the next year, 49 percent did not agree with that...

MS. LABOLLE said that the State Chamber does not like the idea of tying things to an index. They feel that the legislature should make those decisions with input from the public based on conditions of the day. They would like that to continue.

MR. JIM NORDLUND, Director, Division of Public Assistance, supported both bills. He said:

As you know, Alaska has gone through a remarkable transformation in welfare services in the past six years. Based on the law that was passed in 1996 under the banner of welfare reform, we replaced the old AFDC program with the Alaska Temporary Assistance Program (ATAP) and in doing that we ended the entitlement to cash assistance benefits for poor people. We require them to go to work and we added a provision in law that made work pay. The result of that over the past six years has been quite remarkable. We have seen the caseload come down by 42 percent; we've saved millions of dollars in benefits that would have otherwise been paid out to recipients. We have shown over the years that we can effectively move people into the workforce and it is our hope to continue to do that and to help people stay off of welfare...

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He said that this is still 36 percent below the poverty level. Mr. Fry's used last year's figures, he was using this years'. Their fiscal note is based on Senator Davis' legislation, but they figure there are about 300 ATAP recipients that earn between \$5.65 - \$6.40 an hour. That would mean a savings in welfare benefits of about \$376,000 per year. The governor's bill has savings in the fifth and sixth years approaching \$1 million. He said they would prefer the governor's inflator, but they support Senator Davis' bill if it would pass without the inflator.

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CHAIRMAN PHILLIPS announced a recess at 11:10 am.

HB186

HB 186-911 SURCHARGE ON WIRELESS TELEPHONES

CHAIRMAN PHILLIPS called the meeting back to order at 2:06 pm and announced HB 186 to be up for consideration. A motion was made to

pass HB 186 from committee with individual recommendations. There were no objections and it was so ordered.

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CHAIRMAN PHILLIPS adjourned the meeting at 2:06 pm.