

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

April 25, 2003

3:30 p.m.

MEMBERS PRESENT

Representative Tom Anderson, Chair
Representative Bob Lynn, Vice Chair
Representative Nancy Dahlstrom
Representative Carl Gatto
Representative Norman Rokeberg
Representative Harry Crawford
Representative David Guttenberg

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 111

"An Act extending the termination date of the Regulatory Commission of Alaska; and providing for an effective date."

- MOVED CSHB 111(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 232

"An Act relating to mercury classics; and providing for an effective date."

- MOVED HB 232 OUT OF COMMITTEE

HOUSE BILL NO. 242

"An Act relating to licensing of certified public accountants."

- MOVED CSHB 242(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 199

"An Act removing the annual adjustment to the minimum wage based on the rate of inflation; and providing for an effective date."

- MOVED HB 199 OUT OF COMMITTEE

HOUSE BILL NO. 56

"An Act relating to the attorney fees and costs awarded in certain court actions relating to unfair trade practices; and,

if considered court rule changes, amending Rules 54(d), 79, and 82, Alaska Rules of Civil Procedure."

- MOVED CSHB 56(L&C) OUT OF COMMITTEE

PREVIOUS ACTION

BILL: HB 111

SHORT TITLE:EXTEND REGULATORY COMMISSION OF ALASKA

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
02/19/03	0250	(H)	READ THE FIRST TIME - REFERRALS
02/19/03	0250	(H)	L&C, FIN
02/19/03	0250	(H)	FN1: (CED)
02/19/03	0250	(H)	GOVERNOR'S TRANSMITTAL LETTER
03/10/03		(H)	L&C AT 3:15 PM CAPITOL 17
03/10/03		(H)	Heard & Held MINUTE(L&C)
03/17/03		(H)	L&C AT 3:15 PM CAPITOL 17
03/17/03		(H)	<Bill Hearing Postponed to 3/19>
03/19/03		(H)	L&C AT 3:15 PM CAPITOL 17
03/19/03		(H)	Heard & Held <Subcommittee Assigned> MINUTE(L&C)
03/27/03		(H)	L&C AT 1:00 PM CAPITOL 120
03/27/03		(H)	MINUTE(L&C)
04/10/03		(H)	L&C AT 2:00 PM CAPITOL 120
04/10/03		(H)	-- Meeting Canceled --
04/15/03		(H)	L&C AT 1:00 PM CAPITOL 120 -- Subcommittee meeting --
04/23/03		(H)	L&C AT 3:15 PM CAPITOL 17
04/23/03		(H)	Heard & Held MINUTE(L&C)
04/25/03		(H)	L&C AT 3:15 PM CAPITOL 17

BILL: HB 232

SHORT TITLE:HOMER MERCURY CLASSIC

SPONSOR(S): REPRESENTATIVE(S)SEATON

Jrn-Date	Jrn-Page		Action
04/02/03	0738	(H)	READ THE FIRST TIME - REFERRALS
04/02/03	0738	(H)	L&C, FIN
04/25/03		(H)	L&C AT 3:15 PM CAPITOL 17

BILL: HB 242

SHORT TITLE:EXAM FOR CPA'S

SPONSOR(S): REPRESENTATIVE(S)HAWKER

Jrn-Date	Jrn-Page		Action
04/04/03	0769	(H)	READ THE FIRST TIME - REFERRALS
04/04/03	0769	(H)	L&C, FIN
04/25/03		(H)	L&C AT 3:15 PM CAPITOL 17

BILL: HB 199

SHORT TITLE:DELETE MINIMUM WAGE INFLATION - PROOFING

SPONSOR(S): RLS BY REQUEST

Jrn-Date	Jrn-Page		Action
03/19/03	0585	(H)	READ THE FIRST TIME - REFERRALS
03/19/03	0585	(H)	L&C, FIN
04/25/03		(H)	L&C AT 3:15 PM CAPITOL 17

BILL: HB 56

SHORT TITLE:UNFAIR TRADE PRACTICES ATTY FEES/COSTS

SPONSOR(S): REPRESENTATIVE(S)GARA

Jrn-Date	Jrn-Page		Action
01/21/03	0046	(H)	PREFILE RELEASED (1/17/03)
01/21/03	0046	(H)	READ THE FIRST TIME - REFERRALS
01/21/03	0046	(H)	L&C, JUD
02/21/03		(H)	MINUTE(JUD)
04/25/03		(H)	L&C AT 3:15 PM CAPITOL 17

WITNESS REGISTER

REPRESENTATIVE PAUL SEATON

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: As sponsor of HB 232, presented the bill and answered questions.

LAUREN RADCLIFFE, Staff

to Representative Paul Seaton

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Answered questions on HB 232.

JANE TOLLEFSRUD, Assistant Director
Homer Boys and Girls Club;
Coordinator
Homer Mercury Classic
Homer, Alaska
POSITION STATEMENT: Testified on HB 232.

REPRESENTATIVE MIKE HAWKER
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Testified as sponsor of HB 242.

STEVEN R. TAROLA, CPA, Chairman
Alaska State Board of Public Accountancy
Homer, Alaska
POSITION STATEMENT: Testified in support of HB 242.

DAN F. KENNEDY, CPA, MBA, Member
Alaska State Board of Public Accountancy
Kennedy and Company
Wasilla, Alaska
POSITION STATEMENT: Testified in support of HB 242.

BEN BROWN, Legislative Assistant
Alaska State Chamber of Commerce
Juneau, Alaska
POSITION STATEMENT: Spoke in support of HB 199, citing the chamber's two positions on state fiscal health and health insurance.

MATTHEW SAMPSON
Fairbanks, Alaska
POSITION STATEMENT: Testified during the hearing on HB 199.

DON ROBERTS
Kodiak, Alaska
POSITION STATEMENT: Spoke against HB 199 but proposed an alternative of employee profit-sharing for a lowered minimum wage.

BILL BUBBEL, Operator
Pump House Restaurant
Fairbanks, Alaska
POSITION STATEMENT: Testified in support of HB 199.

FRANK ROSE, President

Alaska Hotel and Lodging Association;
Owner, Alaska Lodging Management
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 199, noting that he is increasing menu prices to cover the increased minimum wages.

JON FAULKNER, Owner/operator
Land's End Resort
Homer, Alaska;

POSITION STATEMENT: Supported HB 199, saying an annual increase in the minimum wage is inflationary and hurts labor-intensive restaurants.

JOSE RAMOS, Operator
Don Jose Restaurants
Homer, Alaska

POSITION STATEMENT: Supported HB 199.

JIM SAMPSON, Executive President
Alaska State AFL-CIO
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 199, warning that if the legislature removes the CPI from the existing bill, there may be another petition drive.

CHIP WAGONER, Lobbyist
for Alaska Catholic Conference
Juneau, Alaska

POSITION STATEMENT: Opposed HB 199, citing state economists in Washington and Oregon where the minimum wage has been indexed.

JAY SUTHERLAND
Anchorage, Alaska

POSITION STATEMENT: Spoke in support of HB 199.

JACK AMON
Anchorage, Alaska

POSITION STATEMENT: Spoke in favor of HB 199.

REPRESENTATIVE LES GARA
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of HB 56.

ACTION NARRATIVE

TAPE 03-40, SIDE A

Number 0001

CHAIR TOM ANDERSON called the House Labor and Commerce Standing Committee meeting to order at 3:30 p.m. Representatives Anderson, Lynn, Dahlstrom, Gatto, Rokeberg, Crawford, and Guttenberg were present at the call to order.

HB 111-RCA EXTENSION/ TELECOMMUNICATION POLICIES

Number 0083

CHAIR ANDERSON announced that the first order of business would be HOUSE BILL NO. 111, "An Act extending the termination date of the Regulatory Commission of Alaska; and providing for an effective date."

CHAIR ANDERSON closed public testimony, noting the considerable presentations by the public in the last month-and-a-half. He noted that Version I was adopted at a previous meeting and is now before the committee.

Number 0112

REPRESENTATIVE GATTO moved to adopt Amendment 1. On page 4, line 10, after (k), delete "An electric or" and insert "A".

Number 0142

REPRESENTATIVE GUTTENBERG objected for purposes of discussion. He asked about the impact of Amendment 1.

CHAIR ANDERSON noted that the bill drafter [from Legislative Legal and Research Services] was not present. Chair Anderson said that language on page 4, line 10, subsection (k), deals with [determining] depreciation [rates] for telephone facilities [and equipment]. [Several telephone companies] testified on the disparity in [treatment by the Regulatory Commission of Alaska]. He said the CS focused on telephony issues.

REPRESENTATIVE GATTO pointed out that [subsection (k)] also included electric companies. The subcommittee did not want to deal with [the electric industry] in the CS, but that issue can be revisited at a later date. He said he did not think ARECA [Alaska Rural Electric Cooperative Association] or the other electric companies supported that inclusion.

Number 0202

REPRESENTATIVE GUTTENBERG withdrew his objection.

CHAIR ANDERSON said that hearing no [further] objection, Amendment 1 is adopted.

REPRESENTATIVE GUTTENBERG said he prepared an amendment but is not going to offer it at this time.

Number 0252

REPRESENTATIVE ROKEBERG moved to report the proposed CS for HB 111, [23-GH1079\I, Craver, 4/23/03, Version I], as amended, out of committee with individual recommendations and the accompanying fiscal note.

REPRESENTATIVE CRAWFORD objected. He said he is opposed to moving the bill with extraneous issues, and therefore preferred moving a clean bill that was a simple extension [of the RCA]. He preferred considering these other issues in separate bills.

Number 0343

REPRESENTATIVE DAHLSTROM stated for the record that she is supporting the CS in the interest of moving the bill forward. She said that committee members who have additional concerns can work with the next committee [of referral].

REPRESENTATIVE GUTTENBERG explained that the amendment he didn't advance is sustentative, and it deserves a hearing so people can understand its intent. He said he will forward the amendment to finance committee members and participate in the discussion there. The amendment provides for the option of a hearing judge, a single administrative law judge, or a panel of administrative law judges in certain electrical cooperative tariff cases.

CHAIR ANDERSON noted his agreement with the concept of this amendment and the [opportunity] for further discussion.

REPRESENTATIVE GUTTENBERG said this subcommittee and committee has done a lot of work on this bill; the deliberations reflected a huge learning curve [for members]. These sustentative issues deserve a hearing, which will occur in the House Finance Committee.

REPRESENTATIVE CRAWFORD said that due to the situation, he is removing his objection.

Number 0486

CHAIR ANDERSON, hearing no other objections, stated that CSHB 111(L&C) passed out of the House Labor and Commerce Standing Committee.

HB 232-HOMER MERCURY CLASSIC/ GAMING PRIZE LIMIT

Number 0527

CHAIR ANDERSON announced that the next order of business would be HOUSE BILL NO. 232, "An Act relating to mercury classics; and providing for an effective date."

Number 0556

REPRESENTATIVE PAUL SEATON, Alaska State Legislature, as sponsor of HB 232, explained that it establishes the Homer Mercury Classic, which will be operated and administered by the [Homer chapter of the] Boys and Girls Clubs of the Kenai Peninsula ("Boys and Girls Club.") The bill is titled Homer because that's where [the thermometer readings] will be taken. The 300 members of the Boys and Girls Club have looked at a number of fundraisers; they have established a history of working with sophisticated weather equipment that had been certified and would be on the top of their building. This would be similar to the Nenana Ice Classic, he explained. Tickets will be sold for \$2. The winner in the fall [would guess] the date and time when the temperature first drops to 15 degrees, and [similarly] in the spring, [the winner would guess] when the temperature reaches 55 degrees. The [club members] are working with GLOBE [Global Learning and Observation to Benefit the Environment], a nationwide educational program of weather-related information, which includes NASA [National Aeronautics and Space Administration] and a number of other organizations.

REPRESENTATIVE CRAWFORD asked if the temperatures are on the Fahrenheit or Celsius scales.

REPRESENTATIVE SEATON replied Fahrenheit.

Number 0658

REPRESENTATIVE ROKEBERG asked Representative Seaton if he has been in contact with the Fairbanks Chamber of Commerce about whether this game encroaches on its [mercury] classic.

REPRESENTATIVE SEATON replied that the Fairbanks [Chamber of Commerce has a mercury] hasn't operated for years.

REPRESENTATIVE ROKEBERG noted that Fairbanks has an exclusive right in statute to the classic. Therefore, whether the Homer Mercury Classic would encroach on the Fairbanks Mercury classic would be important information to have before the bill gets to the [House] floor. He asked about the effective date of January 1, 2004.

REPRESENTATIVE SEATON replied that the Boys and Girls Club was not ready to operate [the classic] this fall, so next spring would be the first occasion [to guess when the temperature] reaches 55 degrees.

REPRESENTATIVE GUTTENBERG commented that either temperature is possible between the spring and the fall. He noted that he was also wondering about Representative Seaton's dialogue with the Fairbanks Chamber of Commerce.

Number 0840

LAUREN RADCLIFFE, Staff to Representative Paul Seaton, Alaska State Legislature, explained that Jane Tollefsrud, who is prepared to testify, has spoken to the Fairbanks Chamber of Commerce who can currently operate this mercury classic. She related her understanding that the chamber does not currently operate it and never has.

JANE TOLLEFSRUD, Assistant Director, Homer Boys and Girls Club; Coordinator, Homer Mercury Classic, said she tried to pursue the Fairbanks aspect of this, but none of the employees of the Fairbanks Chamber of Commerce with whom she spoke had ever heard of it. She added that the Homer Mercury Classic revolves around the first time the temperature falls to 15 degrees in the fall and the first time the temperature reaches 55 degrees in the spring.

Number 0924

REPRESENTATIVE DAHLSTROM inquired as to how much revenue the classic will generate.

REPRESENTATIVE SEATON said he had no idea because it will depend on how many tickets the 300 members will sell at \$2 a piece. [The Boys and Girls Club] will receive half of the money collected.

REPRESENTATIVE GATTO asked how fall with be defined, explaining that he was concerned about double payouts.

REPRESENTATIVE SEATON noted that the temperature is monitored every hour, continuously. Although he said he wasn't sure when the period starts for measuring, he said he offered to pass this point on for inclusion in the regulations so it's clear that it's the first time the temperature reaches the specified temperature.

Number 1018

REPRESENTATIVE GUTTENBERG said that regardless of who [held the exclusive right to a mercury classic], there is no letter of understanding or agreement with the current [authorized group], this proposed mercury classic is placed in a different position.

REPRESENTATIVE SEATON pointed out that the Homer Mercury Classic is identified by name specifically in the bill.

MS. TOLLEFSRUD said her organization would be more specific on dates about the first time [the temperature rose to 55 degrees] after June 1 or before June 1. Data is collected hourly via computer, so that [time and date] can't be altered.

CHAIR ANDERSON, upon determining no one else wished to testify, closed public testimony.

Number 1117

REPRESENTATIVE ROKEBERG moved to report HB 232 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 232 was reported out of the House Labor and Commerce Standing Committee.

HB 242-EXAM FOR CPA'S

CHAIR ANDERSON announced that the next order of business would be HOUSE BILL NO. 242, "An Act relating to licensing of certified public accountants."

Number 1150

REPRESENTATIVE MIKE HAWKER, Alaska State Legislature, sponsor of HB 242, noted that he'd once been a certified public accountant (CPA). He explained that the bill was brought forward at the request of the Alaska Society of Certified Public Accountants (ASCPA) as well as the Division of Occupational Licensing. Relating to testing for CPAs, the bill is necessary because of changes made by the American Institute of Certified Public Accountants (AICPA), which has administered a nationwide standardized test for CPAs since the early 1960s. This uniform examination has been adopted by all jurisdictions in the U.S. The AICPA has changed the format, however, and now will administer the exam via computer using a keyboard; it will be given four times a year, whereas the old paper-and-pencil exams were given twice a year. In addition, there are some other changes that he characterized as "a technical issue."

REPRESENTATIVE HAWKER told members that Alaska's statute was written in the early 1960s and says there shall be a written examination. Thus the Division of Occupational Licensing was concerned that it implied a paper-and-pencil examination and that a computerized examination wouldn't qualify. Therefore, on page 1, line 4, the bill deletes the requirement that the examination be written. Furthermore, on page 1, lines 7-11, the bill [specifies that the board shall use] "the Uniform Certified Public Accountant Examination of the American Institute of Certified Public Accountants" and "the institute's advisory grading service, if available."

REPRESENTATIVE HAWKER explained that Alaska's statute also codifies the frequency of the exam, the reexamination procedures, and the standards for passing the examination; this is to mirror criteria established by the AICPA. The ASCPA and the Division of Occupational Licensing have requested that those criteria be put into regulation instead; furthermore, those are inconsistent with the new computerized system. Thus the bill deletes them from statute, with the proviso that the Division of Occupational Licensing work with the [Alaska State Board of Public Accountancy] to put those provisions into regulation. There also is a transitional period [in Section 4]; that was taken from language suggested by the AICPA to explain and provide for a transition from the current twice-a-year testing to the four-times-a-year testing, which has different requirements for passing the test.

Number 1418

REPRESENTATIVE LYNN inquired about the standard for "good moral character" on page 2, line 16.

REPRESENTATIVE HAWKER recalled that when he applied for a license in Alaska he had to sign an affidavit that allowed a background examination and had to complete "a one-inch-thick course and about a half-inch-thick examination in professional ethics."

Number 1448

CHAIR ANDERSON suggested it is similar to the ethics examination required as of 1998 of a person who has completed law school, which must be passed in addition to the bar exam.

REPRESENTATIVE LYNN said it is similar in real estate, but questioned whether ethics can be taught. "You either have it or you don't have it," he remarked.

Number 1464

REPRESENTATIVE GUTTENBERG surmised that the AICPA has its own grading service available. He asked whether the language "if available" is necessary on page 1, line 11.

REPRESENTATIVE HAWKER answered that the Uniform Certified Public Accountant Examination [specified in the bill] is a term that describes the examination given by the AICPA; it isn't a change [except that the words aren't capitalized in the statute]. He explained that the exams are taken and administered nationwide by the local accounting organizations, but grading is consistent and centralized in one location in the country. Indicating he'd discussed the wording "if available" with the Division of Occupational Licensing, he said:

The sense was that we'd have a statute here that would ... give a priority to require that institute's examination. If something highly unusual happened and that institute ceased to function, we would still be in the position of being able to continue the licensing process for prospective accountants with whatever ... nationalized examination process may [become] available.

Number 1546

REPRESENTATIVE GATTO, calling it a minor detail, said there is a difference, to him, between a passing score and a passing grade. For example, there can be grades of A, B, C, D, and F, with C as a passing grade; however, it can be more specific. He asked whether, the intention is to have a passing score rather than a passing grade.

REPRESENTATIVE HAWKER answered that [the bill] uses the language and semantics that are "customary and normal in the certified public accounting world."

Number 1583

STEVEN R. TAROLA, CPA, Chairman, Alaska State Board of Public Accountancy, testified on behalf of the board in full support of HB 242. He reported that the board's mission is to protect the public interest by ensuring that only qualified persons are licensed and that appropriate standards of competency and practice are established and enforced. Primary is administration of the uniform CPA exam, which a person must pass in order to obtain a license to practice as a CPA. There is only one exam available, which is the four-part exam prepared by the AICPA and used in all 50 states as well as the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

MR. TAROLA agreed that the current paper-and-pencil exam is being discontinued and replaced by a computerized version, noting that the "roll-out date" is no later than May 2004. He also agreed that the bill's purpose is to amend Alaska's statutes to accommodate the computerized exam. He added that it provides transitioning to grandfather in candidates who have successfully passed a portion of the paper-and-pencil exam when HB 242 becomes law. He said the new computerized exam is available "numerous times a year" and agreed that without HB 242, the board would have no legal means to administer the new computerized version. He urged support of the bill.

Number 1652

DAN F. KENNEDY, CPA, MBA, Member, Alaska State Board of Public Accountancy, thanked legislators - Representative Hawker, in particular - for supporting the CPA profession on this important change. He requested that the committee support the bill.

CHAIR ANDERSON asked whether anyone else wished to testify. He then closed public testimony.

Number 1706

REPRESENTATIVE ROKEBERG began discussion of Conceptual Amendment 1. He referred to the transitional provisions in Section 4, noting that on [page 2, lines 26-28] there is a formula, [the second part of which] relates to "the number of opportunities the applicant had remaining on the day before the effective date of this Act multiplied by six months". An additional provision on lines 30-31 talks about the effective date. He asked why there is no effective date for the bill.

REPRESENTATIVE HAWKER answered that this needs to be in effect by the end of the first quarter of 2004. He offered his belief that the automatic passage of this bill into law would allow adequate time.

REPRESENTATIVE ROKEBERG pointed out that the effective date would be uncertain because of the time it takes a bill to be engrossed, transmitted to the governor, and then taken up by the governor. It could be August 17 or August 28, for example, which would make the calculations for dates complicated. He noted that if there is no effective date, it becomes effective 90 days after signature [by the governor]. He suggested it would be preferable to have a date that begins on the first of some month.

REPRESENTATIVE HAWKER indicated legislative drafters had informed him that it was unnecessary, but he said Representative Rokeberg had made a clear and convincing argument. Agreeing with amendment of the bill, he recommended January 1, 2004.

Number 1809

REPRESENTATIVE ROKEBERG moved to adopt Conceptual Amendment 1, to add a new Section 5 such that this Act shall take effect on January 1, 2004.

REPRESENTATIVE HAWKER asked whether that includes a corresponding title amendment.

REPRESENTATIVE ROKEBERG agreed that is a good idea.

CHAIR ANDERSON asked whether there was any objection to Conceptual Amendment 1, to adopt a new Section 5 that provides an effective date of January 1, 2004, with a corresponding title change. There being no objection, Conceptual Amendment 1 was adopted.

Number 1856

REPRESENTATIVE DAHLSTROM moved to report HB 242, as amended, out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, CSHB 242(L&C) was reported from the House Labor and Commerce Standing Committee.

HB 199-DELETE MINIMUM WAGE INFLATION-PROOFING

Number 1871

CHAIR ANDERSON announced that the next order of business would be HOUSE BILL NO. 199, "An Act removing the annual adjustment to the minimum wage based on the rate of inflation; and providing for an effective date."

Number 1909

REPRESENTATIVE ROKEBERG testified as chairman of the House Rules Committee, which is the sponsor of HB 199. He explained that HB 199 was introduced at the request of a number of small businesses. He noted that committee members' bill packets contain letters of support from many businesses, ranging from the Alaska State Chamber of Commerce to the National Federation of Independent Business, Alaska Chapter. He said there are probably two dozen people and businesses who support HB 199. This bill is a response to HB 56, passed by the legislature in 2002. At that time, Alaska's prevailing wage was \$5.65; the bill established a new base minimum wage of \$7.15 an hour, an increase of \$1.50 or 27 percent. In addition, the bill created a formula that required that the minimum wage be adjusted every January, using either the Consumer Price Index for Anchorage prepared by the United States Bureau of Labor Statistics or \$1 more than the federal minimum wage, whichever is greater.

Number 2020

REPRESENTATIVE ROKEBERG observed that every January, this law impacts businesses, particularly small businesses, with a unilateral legislatively-enacted wage increase. He said he finds that very problematic, particularly given the current economic conditions in the state. The legislature has [transformed] this disquieting and controversial issue into a formula so it doesn't have to revisit it again. Representative Rokeberg said he thinks that's a mistake. It is the

legislature's responsibility to make certain that the minimum wage level is correctly balanced with the economic picture of the state. He reiterated that in passing that law last year, the legislature abrogated its responsibility.

Number 2052

REPRESENTATIVE ROKEBERG reviewed the rationale for increasing the minimum wage: to raise the wages of lower income people and reduce poverty. Indexing [an annual increase] is supposed to allow the workers to keep up with inflation, give certainty to employers, and take this divisive issue off the legislative calendar. However, sound economic analysis argues against those conclusions, he stated. Although this is an emotional issue, he said there is significant academic study on both sides of it. He explained that HB 199 merely repeals the index; it does not repeal the minimum wage.

REPRESENTATIVE ROKEBERG stated that the minimum wage does not help the poor; it actually hurts lower income people more than it helps them because any economic theory that pushes the cost of labor up has a tendency to decrease the number of jobs. That's an axiom of economics, he said. When labor costs increase, employers react in several ways. In such a situation, employers typically hire fewer workers; lay off workers; and work people longer hours rather than hire new people. The economic analysis and studies show this to be the case, he commented.

Number 2139

REPRESENTATIVE ROKEBERG discussed the groups that are targeted for help by the minimum wage, such as the working single parent with children. However, only 14 percent of the people receiving minimum wage fit that category. Another small group is single or married people with no dependents many [of whom] are younger people working entry level jobs. Representative Rokeberg said that the only thing certain about the formula now in place is that for a small businessperson, the cost of doing business will rise every January.

Number 2201

REPRESENTATIVE ROKEBERG anticipated opposition from organized labor on HB 199. He praised the collective bargaining process, pointing out how labor and employers sit down at a table and negotiate. He said he thinks that's one of the country's

strengths, that the labor force is represented in many occupations in the job market. However, when HB 56 was passed last year, employers were not "represented at the bargaining table" with the legislature. This was not a fair deal for employers, he said. The legislature acted in large part because of political pressure over an initiative promoted by organized labor. He noted that organized labor does not bargain for minimum wages.

Number 2285

REPRESENTATIVE ROKEBERG pointed to the various kinds of financial difficulties that businesses can experience: a downturn in a whole industry, such as in tourism after the terrorist attack of September 11, 2001; a bad business cycle; or other problems external to the business. He said that any of these factors could be happening, but every January 1, a business must increase wages [because of the indexing provision in state law]. He said he doesn't think that is fair; these business people are asking for some relief because when the legislature unilaterally forces a business decision on employers, the business person has to make a choice about employment practices that end up hurting that entry level person. Those are the types of real world decisions that happen, he cautioned.

TAPE 03-40, SIDE B

Number 2351

REPRESENTATIVE ROKEBERG cited the example of the Red Robin franchise in Anchorage. In his March 17, 2003 letter, [the company president] stated that because of the minimum wage increase last year, he shut down the mid-town restaurant, a loss of 54 jobs in Anchorage. He said this is a solid example of one establishment that's already shut down as a direct result of legislative action. He referred committee members to studies about the State of Washington and other economic situations.

CHAIR ANDERSON referenced the National Conference of State Legislatures (NCSL), which stated that only two states have a CPI connected to its minimum wage. He posed a hypothetical question in which the minimum wage is \$7.15. An employer with 100 employees who work 40-hour work week would, due to the automatic CPI, force an increase of \$400 a week which amounts to \$19,200 a year. He asked if that's the concept: an automatic increase, not based on the merit of the employee.

REPRESENTATIVE ROKEBERG agreed to this example. He added that on top of the \$19,200 amount, the employer pays another 14.1 percent for payroll taxes.

Number 2204

REPRESENTATIVE CRAWFORD commented that Representative Rokeberg's [argument] makes the case for organized labor. He said the minimum wage was raised so much because it had been so long [since the last increase], and the cost of living had gone up so much. Had the cost of living escalator been [included] in a minimum wage [formula], the minimum wage would have ended up at about the same amount, but it would have been a small, gradual increase for the business operators each year, instead of a massive 27 percent increase all at once. This is the business friendly part of [existing law] -- small, graduated increases that can be absorbed over time. He said he would like to have this fight every five years because it draws a lot of votes [to organized labor candidates], but its better for business and better for the minimum wage workers to have gradual wage increases.

CHAIR ANDERSON asked about the fairness of wage increases regardless of the employee's aptitude or ability.

REPRESENTATIVE CRAWFORD recalled that he was hired before the minimum wage covered food service in 1976. He started at 90 cents an hour and wasn't covered for overtime hours. He recalled once working 112 hours in a week. He said he knows that companies will use an employee as much as the employee allows. However, minimum wage and overtime laws curb those abuses.

Number 2056

REPRESENTATIVE GUTTENBERG stated that the minimum wage is supposedly the bottom line. All of these employers [who submitted letters of support for HB 199] are service employers; they earn their living on the product their employees deliver, he said. If they don't respect their employees, if they want to drive these wages down, that's reflected in the workplace. These minimum wage workers, washing dishes or flipping burgers, understand the respect [from their employers] in the workplace; it goes way beyond what the legislature is doing here [with a cost-of-living index]. He stated that he has worked for hourly wages his whole life. He said a contractor that respects the employees produces a significantly higher quality product.

Number 1983

BEN BROWN, Legislative Assistant, Alaska State Chamber of Commerce, said that the state chamber is pro-labor and pro-business. Its membership includes 700 small, medium and large businesses and 35 local chambers of commerce. It represents a large portion of Alaska businesses with employees. The chamber members this year developed a list of six legislative priorities, and he addressed two of them: securing Alaska's fiscal future and affordable health insurance.

MR. BROWN voiced support for Representative Rokeberg's introductory statements. An automatic index built into the statute takes away some of the deliberative decision-making power and responsibilities of the legislature, he said. [The recent wage increase] was generous; it obviously has benefited some people but has had a detrimental affect on other people. He cited the closure of the [Anchorage] mid-town Red Robin and how his friend, a manager, lost his job. The legislature wants to make sure that whatever the statutory policy, it benefits the intended beneficiaries. That requires the legislature to evaluate the economic conditions of the state on a regular basis and determine whether another increase in the minimum wage is merited. He added that Alaska is not necessarily on the same economic wave length as the rest of the country, particularly in regard to the price of oil. [Setting the Alaska minimum wage] a dollar more than the federal [minimum wage] or using the Anchorage CPI (consumer price index) might loop in economic conditions that are inappropriate. He advocated that regular legislative review allows for a healthy and vigorous debate.

number 1820

MR. BROWN addressed the chamber's support for health insurance. He said that when a business is forced by law to increase the rate of hourly compensation for its employees, if it is offering any sort of health package, there's less money available to provide those health benefits.

Number 1773

REPRESENTATIVE CRAWFORD noted that he has sponsored [HB 7], allowing employers to reduce wages by \$2 an hour if businesses would provide adequate health care. He said the chamber has not supported his bill. [The law passed last year] increased [the minimum wage] by \$1.50, but his bill proposes a \$2 an hour

benefit [to employers]. Not once did he hear from the chamber, he said, so he questioned the merit of Mr. Brown's argument regarding health insurance. Representative Crawford questioned whether four months of the increased minimum wage caused the Red Robin [restaurant] to close. He asked if the Red Robin was profitable before the increased minimum wage, or was it already in jeopardy. He said that this law has only been in affect for four months, so he didn't see how people could say with any certainty that it is putting people out of work. In the past, when the minimum wage has increased, the Department of Labor & Workforce Development hasn't been able to show any resulting loss of jobs.

MR. BROWN said he will take Representative Crawford's bill under advisement because health care is part of the larger debate here. If a business is in a precarious situation, then [increasing the minimum wage] is the straw that breaks the camel's back. He advised against unnecessary burdens on a business that's already precarious.

Number 1649

REPRESENTATIVE GUTTENBERG asked if it's the chamber's position that a business in trouble should have the minimum wage adjusted.

MR. BROWN said that the chamber's position is that state law should not place businesses in a position that makes it unreasonably difficult for them to survive and continue providing jobs. He explained that the chamber doesn't advocate legislation that addresses each business's wage conditions; it advocates legislation that is fair and allows the entire business community to prosper.

Number 1602

REPRESENTATIVE GUTTENBERG noted that a business's plan is based on economic stability. He proposed that having a minimum wage laid out in advance is a benefit for a business.

MR. BROWN responded that there two kinds of certainty: the certainty that [wages are] going to stay the same till there's a reasonable debate that raises them or the certainty that [wages will] go up without that debate. He admitted that both are better than total uncertainty. But the superior option for the businessman is not having an automatic wage increase when the economic conditions do not warrant it.

REPRESENTATIVE GUTTENBERG asked if a ballot initiative [raising the minimum wage] is a much worse alternative than [current law which has an indexed wage increase]. Valid initiatives create a less certain future for businesses.

Number 1552

MR. BROWN said because the minimum wage is currently generous, he doesn't think a ballot initiative is likely.

REPRESENTATIVE GUTTENBERG said he's never heard a minimum wage considered generous.

Number 1530

REPRESENTATIVE GATTO said that the minimum wage is generous in comparison to the wages paid in other countries' sweat shops that produce athletic shoes and sports equipment, sometimes with child labor. He said that legislators have the power to bring back the minimum wage any time and deal with it; there are also these automatic increases [due to the CPI]. He suggested, maybe the legislature should ignore [increasing] the minimum wage benefit and have the CPI tied to some minimum wage one time [only].

MATTHEW SAMPSON disagreed with Representative Rokeberg's comment that unionized labor does not represent minimum wage earners because it never bargains for minimum wages and pointed to HB 255 in which union [advocates opposed training wages]. He said the union does represent the little people, not directly, but there's the trickle down affect. He agreed with Representative Rokeberg's statement that if small business can't afford to pay minimum wage, then they're going to have more layoffs, they're going to hire less people and pay them more. He referenced the packet of letters from Alyeska Prince Hotel, Denali Park Resort, Land's End Resort, Alyeska Resort, and Subway, all businesses that are having a hard time with the [increased] minimum wage. [The increase] was \$1.50 an hour and [businesses] are feeling it in their pocketbooks because it had been a long time since there was an appropriate raise [in the minimum wage]. He said it is only logical that [businesses] are not liking that. If legislators had been [increasing the minimum wage] year in and year out, [the issue of] inflation-proofing the minimum wage would not be a big deal.

Number 1261

REPRESENTATIVE GATTO asked Mr. Sampson if given a choice, would he prefer going for minimum wage increases every few years or [yearly increases under] the CPI.

MR. SAMPSON asked why shouldn't his rate of pay be inflation-proofed. He said it has no bearing on the \$1.50 pay raise; he deserves both.

Number 1169

DON ROBERTS testified against HB 199, which eliminates the annual adjustment to the minimum wage. He cited the Alaska State Constitution and stated that the bill does not meet the requirement that it express the will of the people or is good for the people as a whole. He stated that it will benefit rather "well-healed" campaign contributors and lobbyists and "their corporate coffers." He urged the committee not to pass HB 199. He proposed giving business owners and employees an alternative where the employees shared in the profits of the business if they agreed to work at a lower minimum wage.

Number 1036

BILL BUBBEL, Operator, Pump House Restaurant, testified that the only people in Alaska who make a minimum wage are the food service or hospitality people, and those individuals augment their wages with tips. In his restaurant, the only minimum wage employees are servers; the dishwashers are paid \$8.50 an hour. McDonalds [Restaurant] doesn't hire anybody at the minimum wage. He opposed [applying] the CPI to the minimum wage because it really doesn't reflect the state of the economy. He said that most of the minimum wage earners work in tourism, which is substantially down. He said this affects a business person's ability to absorb any additional wage increases. He recommended leaving the minimum wage at the federal level plus \$1.50, while removing the CPI from it. Any increase is inflationary because the cost will have to be absorbed by the public. He questioned how much more the public is willing to pay for a meal at the Pump House. His business has just absorbed the minimum wage increase and a huge increase in insurance and [workers'] compensation rates. He reminded committee members that every rise in the minimum wage has an exponential affect on other expenses, increasing costs and squeezing profits even further. Margins in the food business are probably some of the smallest in the nation, he said.

Number 0975

MR. BUBBEL said that the minimum wage doesn't apply to Alaska because no one will work for it. He encouraged the committee to create a tip credit as a way of helping the employer, increasing employment, and bringing in more young people. He said as an employer's costs increase, fewer people will be hired. He encouraged the committee to make it easier for an employer to hire lots of staff, provide lots of jobs for young people entering the job market. He said that he doesn't currently use the training wage at the Pump House but if wages go up, he'll have to use it to compensate for these rising costs.

Number 0873

FRANK ROSE, President, Alaska Hotel and Lodging Association; Owner, Alaska Lodging Management, testified in favor of HB 199. The past two years, the industry has been devastated by the decline in visitors to our state. In his case, that's a 20 percent [decline in occupancy]. He explained that occupancy is about 70 percent, and in order to make a profit, the occupancy rate should be around 80 percent when the business is open four months of the year. It's a severe situation, he said. Whether it's the result of the underlying economy or the [the terrorist attacks of September 11, 2001], business is suffering; in contrast to the comments of an earlier witness, he said, things are not that rosy in the Denali [Bluffs Hotel]. To further exacerbate things, his insurance rates have gone up 40 percent. That's a big number given the \$100,000 he pays for insurance a year. He pointed out that Alaska has the highest minimum wage in the nation.

MR. ROSE said that to not pass HB 199 would be another road block to his business. Increasing the minimum wage through the CPI, is, at least in the tourism industry, focused largely on tipped employees, and they're some of the most highly compensated in his business. The average pay last year before the minimum wage was increased, was between \$19 and \$20 an hour. Some 80 to 90 percent of the other positions in his operations are not affected by the increase in the minimum wage. In his seasonal restaurants this coming year, he has had to raise his menu prices by 8 percent and has cut his staff by 5 percent. Then the whole [success of his business] still depends on whether visitors are coming to Alaska. He urged the committee to pass HB 199.

Number 0732

REPRESENTATIVE ROKEBERG asked Mr. Rose about his 8 percent menu increases and 5 percent staff cut, whether he attributed those to general business conditions or to the increase in the minimum wage.

MR. ROSE replied that the restaurant employees are minimum wage earners, even though they're making about \$20 an hour. [The increase in those wages] is the area [of the budget] that has been most severely [impacted]. He said the increase in menu prices is directly related to the minimum wage increase.

Number 0663

JON FAULKNER, Owner/operator, Land's End Resort, referred to the letter he faxed to the committee members. The resort has a sizable restaurant, he said. He testified in support of HB 199. He said he believes that minimum wage is a legislative prerogative and needs to remain so. Restaurants in particular are impacted by [changes in the minimum wage]; restaurants are a major part of the economy and a major employer of the entry level people that minimum wage is designed to help. The legislature needs the input of restaurant operators when it deliberates minimum wage increases such as this. There's new information that comes up annually: the economic conditions after [the terrorist attacks of September 11, 2001] sharp increases in insurance, fuel and utility costs. He said the legislature does not know who exactly is affected by minimum wage. Although many restaurant servers are paid minimum wage they earn, on average, well above twice the minimum wage. This information, which changes, certainly should affect the legislature's deliberations, and that information changes. To make [the CPI increase] automatic defies the rationale for having a legislature, he remarked.

MR. FAULKNER stated [an annual increase in the minimum wage] is absolutely inflationary. The wages at Land's End constitute 30-40 percent of its annual budget, and therefore the product [price] will certainly go up. He said, "Is this what we want? I don't think so." He said that raising the minimum wage absolutely reduces jobs. Restaurants operate on a fixed labor budget otherwise they go broke. Furthermore, restaurants are labor intensive and operate on very thin margins. This is not an issue of loyalty to his employees, Mr. Faulkner said. There are many ways that he rewards his employees that are more important to them than minimum wage. He did not agree with an earlier comment that the [certainty of an annual] CPI increase

gives employers stability [for planning]. The stability of an automatic increase is not as important to restaurant operators as keeping labor [costs] under control.

CHAIR ANDERSON commented on the fact that many businesses are saying that many of their employees [paid at higher than minimum wage] won't be affected [by the CPI increase]. He said these companies are still testifying on behalf of business.

Number 0417

REPRESENTATIVE ROKEBERG said the point is that these restaurant workers, because they make tip income, earn twice the minimum wage. They're making \$15, \$20, \$25 an hour, and the legislature gave them a raise they didn't need.

Number 0348

JOSE RAMOS, Operator, Don Jose Restaurants, said he operates three restaurants on the Kenai Peninsula and Anchorage. He employees 60-70 employees year round and 107 employees in the summer. He said the increase in the minimum wage had a really big impact in his restaurants. He said his employees were happy to get the raise from \$5.65 to \$7.15, and he was happy for them. Annual increments will put a lot of businesses in a tough situation. In fact, he said he will probably hire fewer employees and figure out how to adjust his cost of operations. He concluded by noting his support of HB 199.

Number 0235

JIM SAMPSON, Executive President, Alaska State AFL-CIO, asked that the legislature not move HB 199. He reviewed the history associated with the bill. He recounted that several years ago, the Alaska State AFL-CIO asked the legislature to look at the minimum wage. For many years, his organization expected Congress to adjust the minimum wage. In 1999 and 2000, Congress considered a number of proposals; the Democrats wanted to [increase] it \$1, and Republicans wanted a \$.50 jump. As happened in many other states in the country, the Alaska AFL-CIO asked the Alaska legislature to increase the minimum wage in two steps of \$.50 each. For two years, he and others asked the legislature to address that issue, but it wouldn't vote on the bills. Because the legislature failed to act, the public went ahead and moved an initiative petition. He said he wrote the initiative petition and supervised the 50,000 signatures that were collected. He agreed that the jump between the existing

state minimum wage of \$5.65 to \$7.15 was a big one. His preference was a two-step increase.

Number 0116

MR. SAMPSON related that his group asked the legislature for a vote up or down on the bills. They delivered the 50,000 signatures [to the Office of the Lieutenant Governor]. The legislature held that bill until the last week or so [of the session]. And when [legislative leaders] were deciding whether to vote on the bill or let the [initiative] go on the ballot, they asked whether the initiative sponsor would be willing to accept an [increased] minimum wage without the CPI. He said his group said no, let the people vote on the issue. They were also asked if they would be willing as a sponsor half the CPI. They said no, let the people vote on the issue. He said it was not the sponsor's determination as to whether if the bill had passed, it was substantially similar and would have precluded the petition going to the ballot. He said that was the decision of the attorney general and the lieutenant governor. He said the legislature passed the bill ... [tape ends mid-statement].

TAPE 03-41, SIDE A

Number 0010

MR. SAMPSON said he believes that the legislature should look at whether the CPI is appropriate; it is the legislature's responsibility to look at these issues. The problem he has with HB 199 is the timing of the review. If the legislature passes a piece of legislation with the intention of making a substantial change in it six months later -- this frustrates the initiative process. The legislature has precluded the public from voting on [the issue]. He urged the legislature to let the [law passed last year] work; it's too early to look at its economic impact.

Number 0078

He continued and announced that the AFL-CIO disagrees that the [increased] minimum wage or a subsequent CPI indexing is going to cause job losses. He noted that Representative Rokeberg has provided some [economic] discussions in his paperwork; he said he could provide similar studies on the other side [of the issue]. He recommended that the legislature let the [law] stand for that two-year period, and then review it. If the legislature does not, he predicted the public would present another initiative with more than 50,000 signatures. He predicted a public movement across the state for more of a

living wage instead of a minimum wage. He concluded by asking that the legislature not frustrate the [initiative] process, let the process work, and review it at the appropriate time.

Number 0200

CHAIR ANDERSON noted that five of the seven members of the committee were not in the legislature [when this bill passed]. He confirmed that the increase in the minimum wage with the CPI passed in the last legislative session.

MR. SAMPSON reiterated that if the initiative would have gone to a vote, it would have been in effect for two years. He noted that the courts have not ruled on the question of whether [passing] a substantial change like HB 199 [undermines the initiative process]. He said he brings that up because [a court challenge] is going to be an issue.

Number 0287

REPRESENTATIVE GATTO asked about a person who makes \$8 an hour and the CPI [triggers an increase in the minimum wage]. Would this worker feel singled out because the increase didn't apply to that job, he asked.

MR. SAMPSON responded that he did not know. He said this is a legitimate question and should have been -- and perhaps was -- discussed last year. The legislature could have passed a bill without the CPI increase, last year. He reiterated his point that for the legislature to pass the [bill last year] with full intent to change it and thus deny the people the right to vote, is a serious breach of public faith.

CHAIR ANDERSON noted that one legislature is not bound by the actions of a previous legislature. He noted that 17 legislators are new this year and didn't vote on that bill.

Number 0425

REPRESENTATIVE ROKEBERG said he found Mr. Sampson's language grossly unconstitutional and offensive. He noted that Mr. Sampson is implying that the legislature does not have the right to act under its constitutional purview, which it did. The legislature adopted similar language, abrogating the need for any initiative vote. He said he is offended that Mr. Sampson is implying that even considering [HB 199] is objectionable. The legislature has the constitutional right and the duty to [review

this legislation]. He also asked about Mr. Sampson's statement about a potential initiative for a living wage. He asked if this is a threat.

Number 0512

MR. SAMPSON replied that when he was told that the legislature might bring the issue back up again and substantially change it this session, he talked with the assistant attorney general who researched the case [last year]. She said she has not seen any [case] law on this question of whether the legislature can pass a bill to avoid an initiative vote and then later change the law. He said that if this bill passes, many people will feel they were denied the right to vote and be frustrated with this initiative process. He said there could be a subsequent initiative petition that will try to correct that or [raise the bar] a little higher.

number 0605

REPRESENTATIVE ROKEBERG said Mr. Sampson's statement is very tough. He asked again about his prediction of another initiative on a living wage.

CHAIR ANDERSON summarized his understanding of Mr. Sampson's statement: The legislature passed the minimum wage with the CPI six months ago; the CPI hasn't even clicked in yet so that those who thought they were going to get it won't, and that those people are feeling disfranchised.

MR. SAMPSON said he's not here to get into an argument. He said he thinks that if the legislature comes back and substantially changes a piece of legislation that was passed for the purpose of not allowing the people to vote, the legislature will see a reaction and another petition. He doesn't know what the petition will say. He said he may or may not write it.

Number 0832

CHIP WAGONER, Lobbyist for Alaska Catholic Conference, announced that the church supports the minimum wage and a living wage, which is a wage sufficient for a person to provide for their family with dignity. With a minimum wage, the state says basically this is a just wage; anything below this wage is not just. Once that figure is determined, automatic indexing makes sense, otherwise inflation erodes the value of the minimum wage and it becomes unjust.

Number 0925

MR. WAGONER urged committee members to beware of economic materials that are very biased. He said one [biased group] is the Employment Policies Institute, which is funded by some of the restaurant industry; another example is the Economic Opportunity Institute, which presents the [organized] labor side. He advised that the most accurate information is provided by the states. According to the Alaska Department of Labor & Workforce Development, 14,000 people earn the minimum wage in Alaska; about one-third of these are restaurant workers. The minimum wage, even at \$7.15 an hour, is still below the poverty level for a family of two.

MR. WAGONER testified that if the restaurant industry claims that the minimum wage indexing is going to cost jobs, it's useful to look at the effect of automatic indexing [on the minimum wage] in the two states that use it: Washington and Oregon. Washington State adopted their initiative in 1998, and in 1999, there were 174,800 jobs in the food services/drinking places industry, a national designation. In 2000, the number rose to 202,200 jobs, a substantial increase, but in 2003, the numbers dropped to 173,300. So Washington has lost about 1,500 jobs since adopting the indexing. But, he added, that loss in jobs is not related to the minimum wage, it has to do with The Boeing Company crisis and the [depressed] Pacific Northwest economy. Bob Wagner (ph), Manager, Research and Analysis unit for the [Oregon] Unemployment Division, said, "There does not appear to be a direct correlation between the indexed minimum wage and the number of jobs in the food service/drinking places industry." In other words, indexing does not affect the jobs. In Oregon, [indexing] took affect this year. In December of 2002, there were 106,700 jobs; in March 2003, there were 106,800. Art Ayr (ph), State Employment Economist for the State of Oregon, said "Its probably impossible to identify an increase in the unemployment rate and to tie it to the minimum wage, at least at the state level. At a local level, you may be able to identify specific employers who have reduced employment due to a variety of factors, including the minimum wages." Companies already on the ropes are one factor among many, Mr. Wagoner said.

MR. WAGONER said he talked to Dan Robinson, Alaska's state economist, about the huge jump [in Alaska's minimum wage], \$1.50 from December [2002] to January [2003]. The number of jobs in the food service industry for that period dropped by 1,000, but

Mr. Wagoner quoted Mr. Robinson as saying that happens every year, as the food service industry gears up for the holidays. Now the number [of food service jobs] in Alaska has increased, from 15,600 in January to 16,200 in March 2003, despite this huge increase in the minimum wage.

Number 1202

MR. WAGONER concluded that people cannot say the minimum wage increase or indexing causes people to lose jobs. He said all the factors must be considered. He estimated that if the legislature had adopted a minimum wage with indexing [that took effect in January 2002], then there would have been a \$.14 increase per hour per employee. He estimated for a business with 40 employees with 8 hour shifts, that would account for an additional \$11,648 increase for a business which had a \$594,880 payroll. The minimum wage [indexing] does not affect jobs, he concluded.

Number 1236

REPRESENTATIVE ROKEBERG said he agrees that there are conflicting studies and arguments on both sides. He directed the committee's attention to a study in the committee packet by Richard Vedder and Lowell Galloway, of Ohio University ["The Economic Impact of Washington's Minimum Wage Law,"], which uses the Card-Krueger methodology, a seminal study of minimum wage in New Jersey. This credible study looks at the Washington [indexing] situation and analyzes two neighboring communities across the Washington/Idaho borders. The authors concluded that 24,000 to 48,000 jobs were lost in Washington by the adoption of the [minimum wage indexing].

Number 1349

JAY SUTHERLAND spoke in support of HB 199. He said [the minimum wage indexing] will cost jobs. He mentioned the Spokane/Coer d'Alene study referenced by Representative Rokeberg. He said his friend owns the Wendy's franchises in both of those markets. Since [Washington adopted] the CPI indicator, he has chosen not to build any more Wendy's in Spokane, Washington, but is choosing to build restaurants in Coer d'Alene, Idaho. He said it's a much bigger market, and a number of other businesses are moving to the other side of the state line. In Alaska, businesses don't have the ability to move across the state line, but when businesses are looking to come north, they're going to be looking at the labor climate and how stable it is. In the

long term, the CPI is going to tell people that this isn't a place where they want to come do business. This CPI is a catch-22; it guarantees that every year there will be inflation. He pointed out that the customers have noticed the new prices on his menus and will notice it again next year with the CPI increase. He said he is looking at technology to replace labor where he didn't consider it before. He said he likes to give people jobs, but sooner or later, with the rise of the minimum wage, his company will start making technology investments and reduce the labor in the building. He advised that kids without jobs get into trouble. He reiterated that he's in favor of the CPI being eliminated.

Number 1454

REPRESENTATIVE CRAWFORD asked if Mr. Sutherland's menu prices have increased before.

MR. SUTHERLAND replied that his menu prices have been flat for three years until this.

REPRESENTATIVE CRAWFORD suggested that his menu prices didn't change because the legislature had not addressed the minimum wage issue for several years.

MR. SUTHERLAND said [he has maintained his prices by careful] bidding, looking at different purveyors, [changing] freight companies, and staying in a competitive venue. [Workers'] compensation went up 40 to 42 percent last year, and there will be another increase this coming year. He said he's running about 10 percent more labor than he was running last year, due to the [minimum wage] increase, not because he has more employees but just because he's paying 26 percent more to these employees. Furthermore, there's federal taxes, state unemployment taxes, workers' compensation. He anticipated that the increase will be more than \$.14; it will be more like \$.24; it's going to be very expensive. At that increase, he can start looking at some stainless steel and motorized [equipment] to take labor out of his building. He can guarantee that in five years, the equipment will be paid for and still functioning. However, he said he can't guarantee what his labor costs will be anymore.

REPRESENTATIVE CRAWFORD related his understanding that Mr. Sutherland is saying that the minimum wage was increased too high and now Mr. Sutherland can't "stand" automatic increases. Therefore, he inquired as to what Mr. Sutherland would suggest

the minimum should've been increased to or should it not have been addressed.

MR. SUTHERLAND answered that he is from the "old school" that believes in demand and supply. Mr. Sutherland said that there is no one in Anchorage looking for a job that doesn't have a job. He guaranteed that the market would drive the price. When this came in, artificial inflation was introduced into the economy. Therefore, he suspected that this [minimum wage] increase will result in the largest [consumer] protection index in the next 12-19 months.

Number 1595

JACK AMON spoke in favor of HB 199. An automatic increase in wages is particularly onerous to small businesses because mandating a yearly wage increase continues to increase costs. Although the wage increase can be bearable when economic conditions are good, when economic conditions falter businesses could face increasing costs while revenue decreases. He informed the committee that this year his business experienced a decrease in revenue while the highest paid employees, the employees who receive tips, received a wage increase. The combination of conditions caused his business to reduce hours and dramatically reduce staff. As other costs have increased as well, Mr. Amon related that for the first time in 20 years he may not be able to continue with group health insurance. Mr. Amon pointed out that mandatory wage increases don't allow for recessionary conditions. He echoed Mr. Sutherland's belief in paying what the market will bear. Forcing an increase in wages takes away the ability for employers to employ more people.

REPRESENTATIVE CRAWFORD asked if Mr. Amon was saying that there would be an automatic increase in a recessionary economy.

MR. AMON replied yes, there could be tough economic conditions and an inflationary spiral.

REPRESENTATIVE CRAWFORD pointed out that when there is a recession the CPI should reflect that. He related that he had advocated for a better indicator, the average weekly wage of employees in Alaska, in order to more closely track the wage conditions in Alaska. He asked if Mr. Amon would be in favor of going to the average weekly wage.

MR. AMON said that he isn't familiar with that concept, and therefore didn't want to comment. He noted his general

opposition to legislating wage increases because they ultimately hurt those that they try to help.

Number 1762

CHAIR ANDERSON closed public testimony.

REPRESENTATIVE ROKEBERG related that he disagreed with Representative Crawford's statement that during a recession the inflation rate would decrease. Representative Rokeberg related statistics from the Anchorage CPI from 1986-1990 that illustrate while the amount of increase went down, [the minimum wage] still went up. For example, during the recession and post-1986 crash of oil, the wages were raised. The aforementioned shouldn't happen, and that's why this legislation has been introduced.

REPRESENTATIVE CRAWFORD said that he had recalled that statistics showed that in 1986-1987, the average weekly wage did fall, which is why he had thought it would be more appropriate to tie [the minimum wage] to the average weekly wage. However, in up years the average weekly wage has increased higher than the CPI, which is problematic too. Representative Crawford related his belief that \$1.50 increase every 4-5 years is more devastating than a small, gradual increase.

Number 1863

REPRESENTATIVE GUTTENBERG pointed out that one legislature can't bind another. Representative Guttenberg said, "We should really look at things with a jaundiced eye when the previous legislature voted for something that took it off the ballot. ... The perspective of being a person that works for a minimum wage - always feeling that the burden of society is on your shoulders. Things happen, you get cut, you get hurt." Representative Guttenberg informed the committee that during a recent community meeting he had heard a lot of dialogue about the minimum wage from 19-year-old students to 38-year-old students and how one [the 38-year-old student] can't afford to work against another. Those receiving the minimum wage are the least able to afford changes in the economy, he said.

REPRESENTATIVE GATTO noted that he is really divided on this issue. He commented that when one is at minimum wage, the CPI increase is fairly trivial. On the other hand, he indicated his belief in the free market. Representative Gatto related his guess that if the CPI is allowed to adjust wages, there won't be a need for another minimum wage increase. However, that may not

be enough. Representative Gatto said that his suggestion would be to hold this legislation [to give this more thought].

Number 2004

REPRESENTATIVE LYNN commented that everyone wants everyone to have an appropriate wage. Unfortunately, increasing the minimum wage can bring about unintended consequences. He related his belief that in the big picture increasing the minimum wage will decrease hiring. Furthermore, excessive overhead can put businesses with a slim profit margin out of business and then those who "we" want to help lose their job. Representative Lynn related his belief that these things tend to increase prices at the expense of everyone, including the poor. Representative Lynn informed the committee that he considers himself pro-business and pro-labor. He concluded by saying that the facts seem to lean more towards supporting HB 199 than not.

REPRESENTATIVE ROKEBERG related his belief that all these levels are set by the market. As pointed out earlier, there aren't many minimum wage jobs in Alaska. Most of the jobs receiving a minimum wage are entry level jobs, or jobs with tip level compensation, or at fish processing plants with guaranteed overtime. Therefore, almost all those being paid minimum wage are making more than the minimum wage. Representative Rokeberg pointed out that there is a huge inequity in the state because Alaska is one of the states that doesn't have tip credit, which causes these dislocations in employment. Once a minimum wage is passed and there's a CPI on top of that, a large percentage of those receiving that benefit are already making one to three times the minimum wage. Representative Rokeberg concluded, "I think organized labor and everybody won last year, all we want is a little bit of stability here. I don't want a big fight, I want everybody to be happy, I want to create some jobs in the state."

Number 2182

REPRESENTATIVE LYNN moved to report HB 199 out of committee with individual recommendations [and the accompanying fiscal notes].

REPRESENTATIVE GUTTENBERG objected.

A roll call vote was taken. Representatives Gatto, Rokeberg, Lynn, and Anderson voted in favor of reporting HB 199 from committee. Representatives Guttenberg, Crawford, and Dahlstrom

voted against it. Therefore, HB 199 was reported out of the House Labor and Commerce Standing Committee by a vote of 4-3.

HB 56-UNFAIR TRADE PRACTICES ATTY FEES/COSTS

CHAIR ANDERSON announced that the next order of business would be HOUSE BILL NO. 56, "An Act relating to the attorney fees and costs awarded in certain court actions relating to unfair trade practices; and, if considered court rule changes, amending Rules 54(d), 79, and 82, Alaska Rules of Civil Procedure."

Number 2243

REPRESENTATIVE LES GARA, Alaska State Legislature, spoke as the sponsor of HB 56 and noted that the Senate has a companion bill sponsored by Senator Dyson. He informed the committee that as of a couple of years ago, Alaska has the smallest Consumer Protection Department in the country, which was because of fiscal constraints. He estimated that there is probably the same amount of fraud in this state as there is in any other state. However, the state isn't able to help those who are victimized by this; the cases tend to be small and the attorney general's office helps those they can. He explained that HB 56 merely says that if the attorney general's office represents someone in a consumer fraud case, the full enforcement costs and full attorney's fees should be rewarded if the [consumer] prevails. Representative Gara viewed this legislation as a smart way to deal with consumer fraud while dealing with budget problems at the same time. The full enforcement costs and attorney's fees can be plowed back into more consumer protection, and hopefully the state will move past the current situation in which [only] one-and-a-half attorneys are working on consumer fraud cases. He recalled 10 years ago when there were about eight attorneys and a host of investigators working on consumer protection cases. This legislation is a way in which for there to be a consumer enforcement presence without an impact on the budget. He noted that the Attorney General's Office supports HB 56. In fact, the administration has stated it would like to have a better consumer enforcement presences.

Number 2355

REPRESENTATIVE GUTTENBERG moved to adopt CSHB 56, Version 23-LS0300\H, Bannister, 2/24/03, as the working document. There being no objection, Version H was before the committee.

TAPE 03-41, SIDE B

Number 2367

REPRESENTATIVE ROKEBERG asked if Rule 82 applies now and this legislation would abrogate Rule 82.

REPRESENTATIVE GARA confirmed that this legislation would abrogate Rule 82. He explained that currently the state is entitled to Rule 82 fees, which are roughly 20 percent of its fees. Similar to the federal government, in certain areas in which prosecutions are important, laws have been passed to allow the state and federal government to recover full attorney's fees. In federal and state antitrust law and federal and state hazardous waste law, the enforcement authorities receive full attorneys fees; this legislation would be along the same vein. He highlighted that this legislation would be a rule change, and therefore would require a two-thirds vote.

REPRESENTATIVE ROKEBERG recalled that he had worked on the legislation that allowed private causes of action and recovery for that. He asked if the aforementioned wasn't working, and therefore the attorney general has to deal with these cases.

REPRESENTATIVE GARA explained that in 1997 the legislature passed a law specifying that private individuals who push a consumer right's case on their own can receive full compensation for their attorney's time. Although the private bar has taken quite a few of these cases, the attorney general's office says that many people come to them and they can't help them the way they would like. Therefore, this legislation would allow the attorney general's office to increase its staff a bit in order to take on these cases. [The 1997 legislation] hasn't worked as well as was hoped.

REPRESENTATIVE GARA, in response to Representative Gatto, clarified that Rule 82 allows the prevailing party to recover roughly 10-20 percent of attorney's fees.

Number 2285

REPRESENTATIVE LYNN asked if this legislation will help consumers and the state's budget situation.

REPRESENTATIVE GARA replied yes.

Number 2270

REPRESENTATIVE LYNN moved to report CSHB 56, Version 23-LS0300\H, Bannister, 2/24/03, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 56(L&C) was reported from the House Labor and Commerce Standing Committee.

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:58 p.m.