

**ALASKA STATE LEGISLATURE
JOINT MEETING
SENATE JUDICIARY STANDING COMMITTEE
HOUSE JUDICIARY STANDING COMMITTEE**

March 29, 2014

1:32 p.m.

MEMBERS PRESENT

SENATE JUDICIARY

Senator John Coghill, Chair

HOUSE JUDICIARY

Representative Wes Keller, Chair
Representative Bob Lynn, Vice Chair
Representative Lance Pruitt
Representative Max Gruenberg

MEMBERS ABSENT

SENATE JUDICIARY

Senator Lesil McGuire, Vice Chair
Senator Fred Dyson
Senator Donald Olson
Senator Bill Wielechowski

HOUSE JUDICIARY

Representative Neal Foster
Representative Gabrielle LeDoux
Representative Charisse Millett

OTHER LEGISLATORS PRESENT

Representative Sam Kito III

COMMITTEE CALENDAR

INITIATIVE: AN ACT INCREASING THE ALASKA MINIMUM WAGE

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

LIBBY BAKALAR, Assistant Attorney General
Civil Division
Labor & State Affairs
Department of Law
Juneau, Alaska

POSITION STATEMENT: Reviewed the minimum wage initiative and provided a sectional analysis.

GREY MITCHELL, Assistant Commissioner
Department of Labor and Workforce Development
Juneau, Alaska

POSITION STATEMENT: Discussed the regulatory and enforcement aspects of the minimum wage initiative.

DAN ROBINSON, Chief Research Analyst
Department of Labor and Workforce Development
Juneau, Alaska

POSITION STATEMENT: Discussed the economic aspects of the minimum wage initiative.

MICHAEL SALTSMAN, Director of Research
Employment Practices Institute
Washington, D.C.

POSITION STATEMENT: Testified on the minimum wage initiative.

ED FLANAGAN, Chair
Alaskans for a Fair Wage
Juneau, Alaska

POSITION STATEMENT: Sponsor of the minimum wage initiative.

REVEREND MICHAEL BURKE, Pastor
St. Mary's Episcopal Church
Anchorage, Alaska

POSITION STATEMENT: Testified in support of the minimum wage initiative

VINCE BELTRAMI, President
Alaska AFL-CIO
Anchorage, Alaska

POSITION STATEMENT: Testified in support of the minimum wage initiative.

NOAH SUNFLOWER, Organizer
Unite HERE Local 878
Anchorage, Alaska

POSITION STATEMENT: Testified in support of the minimum wage initiative.

STACY ALLEN, Member
Laborers Local 341
Palmer, Alaska

POSITION STATEMENT: Testified in strong support of the minimum wage initiative.

BARBARA HUFF TUCKNESS, Director
Legislative and Governmental Affairs
Teamsters 959
Anchorage, Alaska

POSITION STATEMENT: Testified in support of the minimum wage initiative.

SHARON CLAWSON, representing herself
Anchorage, Alaska

POSITION STATEMENT: Testified in support of the minimum wage initiative.

ZEBULON WOODMAN, Member
Laborers Local 942
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of the minimum wage initiative.

KARM SINGH, Lineman Representative
Alaska IBEW 1547
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of the minimum wage initiative.

KEVIN POMEROY, Business Manager
Laborers Local 1942
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of the minimum wage initiative.

FAY GAVIN, representing herself

POSITION STATEMENT: Testified in support of the minimum wage initiative.

ACTION NARRATIVE

1:32:02 PM

CHAIR JOHN COGHILL called the joint meeting of the Senate and House Judiciary Standing Committees to order at 1:32 p.m. Present at the call to order were Chair Keller and Chair Coghill. Representatives Lynn, Pruitt, and Gruenberg arrived soon thereafter.

INITIATIVE: AN ACT INCREASING THE ALASKA MINIMUM WAGE

1:32:46 PM

CHAIR COGHILL announced the business before the committees was to discuss the benefits and costs of increasing the Alaska minimum wage.

1:33:44 PM

LIBBY BAKALAR, Assistant Attorney General, Department of Law, stated that she was appearing at the request of the Chair to provide an outline of the minimum wage initiative ("13minimumINW"). "An Act increasing the Alaska minimum wage to \$8.75 an hour effective January 1, 2015, \$9.75 an hour effective January 1, 2016, and thereafter adjusted annually for inflation." She clarified that neither the Department of Law nor any colleagues that were testifying on behalf of their respective departments were taking a position on the initiative bill. They were here to walk through the mechanics and offer a neutral assessment of the costs and impacts of the ballot initiative. She also clarified that DOL's role in the ballot measure process was to represent the Lieutenant Governor and the Division of Elections as they execute their constitutional and statutory duties.

MS. BAKALAR stated that the Department of Law and the Lieutenant Governor's office reviewed the ballot measure application to determine whether or not it was compliant with the technical and constitutional requirements of the ballot measure. DOL found it to be a legally sound use of the initiative, recommended certification, and helped author the ballot summary. Sufficient signatures were subsequently gathered to place the measure on the August 19, 2014 statewide primary election ballot.

MS. BAKALAR described the four sections proposed by the initiative bill as follows: [Original punctuation provided.]

- Section 1. This section is a statement of findings and a declaration. The section declares that an increase in the

Alaska minimum wage would help ensure a minimum standard of living for the health and well-being of Alaskans; that Alaskans working full-time at the current minimum wage earn far below the federal poverty level for a family of three; that several states in the Pacific Northwest have a higher minimum wage; and that a fair minimum wage indexed to the cost of living will help low-income workers keep pace with inflation.

- Section 2. This section is a statement of purpose and intent, providing that the bill intends to raise Alaska's minimum wage to \$8.75 an hour effective January 1, 2015, \$9.75 an hour effective January 1, 2016, and thereafter adjusted annually for inflation.
- Section 3. This section would repeal and reenact AS 23.10.065(a). The section would require every employer to pay each employee a minimum wage of \$8.75 an hour effective January 1, 2015, \$9.75 an hour effective January 1, 2016, and thereafter adjusted annually for inflation. The section provides a method for calculating that adjustment, and provides that the adjustment would apply to work performed from January 1 through adjustment would apply to work performed from January 1 through December 31 of the year for which it is effective. The section provides that an employer may not use tips or gratuities to offset payment of the minimum wage, and that Tip Credit as defined by relevant federal law does not apply to the minimum wage.
- Section 4. This section provides that if the minimum wage determined under section 3 of the bill is less than one dollar over the federal minimum wage, the Alaska minimum wage shall be set at one dollar over the federal minimum wage, and that the amount shall be adjusted in subsequent years by the method set forth in section 3 of the bill.

MS. BAKALAR advised that the Alaska Constitution provides the legislature with the opportunity to act on initiatives prior to their appearance on the ballot by enacting substantially similar legislation. Taking that action would void this initiative. Whether such a measure would be substantially similar to the initiative petition is a question of both fact and law that DOL likely would be called upon to opine. The constitution also states that a law enacted by initiative becomes effective 90 days after certification of the election at which it is passed. It is not subject to veto and may not be repealed within two years of its effective date, but it may be amended by the legislature at any time.

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REPRESENTATIVE LYNN joined the committee.

CHAIR COGHILL asked if the findings and declaration in Section 1 are already in statute under uncodified law.

MS. BAKALAR said she'd need to review the uncodified law before she could answer, but Section 3 does repeal and reenact AS 23.10.065(a) that currently states that the minimum wage is \$7.75 an hour until December 31, 2009 and thereafter not less than \$0.50 an hour more than the federal minimum wage. The federal minimum wage was increased to \$7.25 an hour when the Fair Minimum Wage Act of 2007 amended the Fair Labor Standards Act of 1938.

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GREY MITCHELL, Assistant Commissioner, Department of Labor and Workforce Development, advised that he and Dan Robinson, the chief of research and analysis for DOLWD, would jointly discuss the economic, regulatory, and enforcement aspects of the minimum wage proposal. He started with a brief discussion of the cost impacts of the initiative that have been calculated to affect three agencies. The Lieutenant Governor's Office will be affected in the amount of \$9,000 for travel to hold public hearings on the initiative in two communities in each of the four judicial districts. The Division of Elections has calculated an estimated cost of \$71,257 to certify the initiative and review the initiative petition. This does not include potential legal costs if the validity of the petition is challenged. The Department of Labor and Workforce Development has calculated costs, if the initiative passes, of \$2,083 to print publications that provide information about the minimum wage.

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MR. MITCHELL discussed the enforcement aspects of the minimum wage proposal. He reviewed current law under AS 23.10.065 that sets Alaska's minimum wage \$0.50 higher than the federal minimum wage. He reported that about 20 percent of the wage claims historically are related to nonpayment of minimum wage and the remainder are for things like overtime, contract wages, and return transportation deductions. This ratio has remained fairly constant over time.

A petition in 2002 resulted in legislation in 2003 that significantly increased Alaska's minimum wage from \$5.65 an hour to \$7.15 an hour. Although this was a 27 percent increase in one year, Wage and Hour experienced no discernible increase in the

percentage of wage claims related to minimum wage. The general conclusion is that increasing the minimum wage does not increase the likelihood that an employer will violate the minimum wage requirements. Thus, DOLWD doesn't anticipate an increase in enforcement efforts as a result of the petition.

He reviewed the stepped increase to the minimum wage called for in the initiative. The first year the minimum wage would increase from \$7.75 to \$8.75 or 13 percent. The second year it would increase to \$9.75 an hour, which represents an 11 percent increase on an annual basis. The increase from \$7.75 to \$9.75 over two years represents a 26 percent increase.

REPRESENTATIVE LYNN asked if the previous increase in minimum wage resulted in employment loss, more part time jobs, or reduced hiring.

MR. MITCHELL replied the minimum wage in Alaska was last increased in 2010 from \$7.25 an hour to \$7.75 an hour and the \$0.50 an hour above the federal minimum wage elevator was created. The percentage of enforcement actions related to minimum wage remained fairly constant. He deferred to Mr. Robinson to address the economic impacts.

[1:47:48 PM](#)

DAN ROBINSON, Chief, Research and Analysis, Department of Labor and Workforce Development said the statistics for Alaska show no discernable impact on employment. He acknowledged that there were impacts, but there were enough things going on that it left no clear mark. Some economists say a wage increase costs a certain number of jobs and others disagree so it's a very hot topic with no clear answer.

REPRESENTATIVE LYNN mentioned anecdotal evidence.

MR. ROBINSON said different studies show different things, but in this case it's situation specific. If the wage goes from \$3 to \$4 it doesn't make much difference because the market has long since left those wages behind. But if the wage goes from \$10 to \$20 an hour, that affects people and employers and different consequences could be expected.

CHAIR COGHILL recognized that Representative Lance Pruitt joined the committee.

MR. ROBINSON continued to say that DOLWD estimates that about 3,000 or one percent of Alaska jobs pay \$7.75. At \$8.75 an

estimated 5,600 or 2 percent of Alaska jobs would be affected and at \$9.75, an estimated 18,200 or 5 percent of Alaska jobs would be affected. In order of numbers impacted, the occupations that would be most affected are seafood processing workers, waiters and waitresses, food preparation and serving workers, and retail salespersons. Young people are disproportionately represented in these occupations; 36 percent of the workers in these occupations are 25 years or younger whereas 17 percent of all other occupations are 25 years or younger.

CHAIR COGHILL commented on the exclusion of the tip credit and the category of lower wage workers that would benefit from the minimum wage increase.

MR. ROBINSON acknowledged the observation.

MR. MITCHELL pointed out that current statute prohibits tip credit so the initiative isn't introducing anything new in that regard.

CHAIR COGHILL asked if that law had been tested.

MR. ROBINSON responded that current law prohibits tip credit so minimum wage workers are covered by the existing \$7.75 minimum wage threshold.

CHAIR COGHILL asked if the current statute recognizes the consumer price index (CPI) model.

MR. ROBINSON answered no.

CHAIR COGHILL asked if this is taken from the Anchorage base of the Consumer Price Index (CPI).

MR. ROBINSON answered yes.

CHAIR COGHILL asked what that cost differential generally is.

MR. ROBINSON replied it varies, but an average over the last 10 years would be about 2 percent.

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CHAIR COGHILL asked if the findings and declaration in Section 1 are new. .

MR. MITCHELL replied that to his knowledge those have not been outlined in previous legislative proposals, but it may have been in the initial legislation.

CHAIR COGHILL observed that voting yes will send a clear message that these are some of the things that people are thinking about. He described it as the front door to the question on the minimum wage and the CPI.

REPRESENTATIVE KITO III calculated that someone who works a 40 hour week for 50 weeks a year at the current minimum wage of \$7.75 will receive \$15,500 per year; at \$8.75 that is \$17,500 per year; and at \$9.75 that is \$19,500 per year.

CHAIR COGHILL noted that the poverty level for Alaska is generally \$22,000.

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MR. SALTSMAN, Director of Research, Employment Policies Institute (EPI), Washington, D.C., advised that EPI is a nonprofit that focuses on policies that impact the entry level job market. The National Federation of Independent Business invited him to testify. He said that Alaskans for a Fair Minimum Wage argue that the minimum wage should be used to lift families out of poverty and that Alaska should seek to match Washington State's higher rate. However, the evidence shows that that policy hasn't been terribly effective in reducing poverty and has actually been detrimental to vulnerable workers.

From 2003-2007, 28 states including Alaska increased their minimum wage, but when economists from Cornell and American University studied U.S. Census Bureau data from this time period they found no associated reduction in poverty rates. They identified a few problems. The first was that roughly 60 percent of the people living in poverty were not employed and thus couldn't benefit from the increase in the minimum wage. A second problem was that fairly few minimum wage workers live in poor households. In Alaska, for instance, U.S. Census Bureau data shows that nearly two-thirds of the workers affected by a minimum wage increase to \$10 an hour are living with family or are second or third earners in a household. Just 5.5 percent are single parents. When all the sources of income in a particular household are included, the average family income of an affected employee in Alaska is over \$73,000 per year. Acknowledging that this doesn't suggest that everyone who earns the minimum wage is a teenager living in a middle class household, he posited that

it does demonstrate the problem of using a blunt tool like a minimum wage increase to address the complex problem of poverty.

MR. SALTSMAN said the Congressional Budget Office (CBO) recently released a report on the President's minimum wage proposal that spotlighted the unintended employment consequences of a higher minimum wage. Washington State currently has the highest minimum wage in the country and proponents argue that Alaska ought to emulate Washington. In 2013 the unemployment rate in Alaska was about 6.5 percent and in Washington it was about 7 percent. Those numbers are roughly similar, but the situation was very different for young adults age 16-19. In Alaska where the minimum wage is \$7.75 an hour, teen unemployment was 17.5 percent. But in Washington state where the minimum wage is \$9.32 an hour, the teen unemployment rate was 30.6 percent.

MR. SALTSMAN said that a careful look at the data shows that a higher minimum wage has played a role in Washington's current situation. Analyzing data from 2005-2011, economists from Miami and Trinity University estimated that over 4,300 fewer teens had jobs in Washington state due to the higher minimum wage. An article in the Seattle Weekly provided a striking example of how these jobs are eliminated. Restaurants in the largest city in the state generally stopped hiring busboys and are scheduling fewer servers per shift. These consequences are broadly consistent with what is known from the economic research on minimum wage increases. Since the early 1990s, roughly 85 percent of the credible academic studies on this subject show that a higher minimum wage reduces employment for less skilled and less experienced employees like teenagers. There are outliers, but they're in the distinct minority.

He said that the nonpartisan Congressional Budget Office understood this, which is why it estimated that raising the minimum wage to \$10.10 would result in the loss of 500,000 jobs nationwide. Using a similar methodology, the economists referenced earlier estimated 400-1,100 lost jobs in Alaska if the minimum wage went to \$10.10. This loss of opportunity at the bottom rungs of employment is a concern because teens that miss out on early career experiences are at a distinct disadvantage. Research shows that high school seniors with a part-time job earn higher wages 6-9 years after graduation than their counterparts who didn't have a job. Lengthy spells of unemployment have also been shown to increase the risk of future unemployment for young people. The conclusion is that the last thing Alaska should be trying to do is emulate the youth

unemployment rate that currently exists in the state of Washington.

MR. SALTSMAN discussed better alternatives to raising the minimum wage. He said the federal Earned Income Tax Credit program provides a substantial income boost to low income families without the unintended consequences of a higher minimum wage. For example, in Alaska the minimum wage for a single parent with two children is already above \$10 an hour due to the roughly \$5,200 annual payment this family receives in addition to the earnings at work. Many states have chosen to provide a state supplement to this payment and the results have been very impressive. Researchers from the University of Georgia and San Diego State University found a one percent drop in state poverty rates for each one percent increase in the state's earned income tax credit. He suggested that if Alaska is interested in reducing poverty rates, this policy should ultimately be the topic of conversation. He said this suggestion is based on the empirical research that's looked at poverty rates, employment rates in states that have raised their minimum wages compared to those that haven't. This research clearly shows that while a higher minimum wage might not reduce poverty, it does reduce employment.

REPRESENTATIVE KITO III noted that earlier testimony from the Alaska Department of Labor and Workforce Development indicated that when Alaska's minimum wage increased 27 percent it resulted in no measurable difference in employment. The initiative proposes a 20 percent increase over a longer period of time. The DOLWD also indicated that in Alaska, 36 percent of the people that would be affected are 25 years or younger so the proposed increase will impact 64 percent of people 25 years or older. He said he thinks this may be the same situation that's seen in other states.

MR. SALTSMAN cautioned against looking at overall employment levels when trying to determine the impact of a higher minimum wage. It could have a devastating impact on the small subset of the workforce that's earning a minimum wage, but it would not show up in the overall employment numbers. Historically economists have looked at the employment of subgroups and used regression analysis to compare employment levels in a state that did raise the minimum wage versus one that did not to see if other factors have been controlled. The consensus has been that each 10 percent increase in the minimum wage has approximately reduced employment by 1-3 percent for those affected groups.

Based on the past, people should anticipate this happening in Alaska.

MR. SALTSMAN said that the U.S. Bureau of Labor Statistics last week reported that just over 50 percent of the people who earn the minimum wage are age 16-24. But the question that should ultimately be asked isn't about the age of the workers earning minimum wage; it's whether this is an effective way to reduce poverty and target the people that need help. The data cited earlier suggests that it has not had the impact that proponents wanted it to have.

REPRESENTATIVE KITO III noted the U.S. Department of Labor national statistics show that 50 percent of the people who earn the minimum wage are between the ages of 16 and 24 whereas the Alaska Department of Labor and Workforce Development statistics indicate that for Alaska that number is 36 percent. He asked if that impacts the analysis.

MR. SALTSMAN replied in either case the people who earn minimum wage are disproportionately young. He suggested that the discussion gets bogged down discussing the ages of who is affected as opposed to whether this is an effective way to help the people it's intended to help.

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REPRESENTATIVE GRUENBERG joined the committee.

CHAIR COGHILL asked the initiative sponsor to come forward.

[2:12:42 PM](#)

ED FLANAGAN, Chair, Alaskans for a Fair Wage, sponsor of the initiative, stated that this is an ad hoc group formed for the specific purpose of getting the initiative on the ballot and getting it passed. He noted that a recent focus has been to keep the initiative on the ballot. The principals are Tom Cashen, Jim Sampson, and himself, all of which are former state labor commissioners. He said they've waited for ten years for somebody to correct what was done to the minimum wage in 2003 when the indexing that passed the year before was repealed. They got tired of waiting and decided to do it themselves. Alaska unions have largely funded the group to do the work to get it on the ballot. The effort was successful and the petition drive resulted in 36,500 valid signatures from registered voters including the required seven percent in 33 districts.

MR. FLANAGAN reviewed the minimum wage in Alaska. Existing law sets it at \$0.50 over the federal minimum wage. The federal minimum wage is \$7.25 and Alaska's is \$7.75. He noted that the \$0.50 premium was established in the first state legislature in 1959 when the federal minimum wage was \$1.00. That 50 percent differential has fallen to a 7-8 percent. Currently, a fulltime worker earning \$7.75 an hour earns \$16,120 annually. This is \$8,600 below the federal poverty threshold for a family of three in Alaska and \$13,700 below the federal poverty threshold for a family of four. Alaska had the highest minimum wage in the nation for about four decades after statehood and is now behind 17 states and the District of Columbia. Even low-cost-of-living states like Arizona and Florida have a higher minimum wage than Alaska. Eleven states provide for indexing based on the consumer price index. In Anchorage, we're lucky to have one price index; the rest of the country, except for Alaska and Hawaii, is under all the same CPI whether it's Mississippi or Seattle. Alaska has the Anchorage CPI and it averages about 2 percent. The minimum wage went to \$7.15 in 2002 and if the index had not been removed by the legislature less than a year after passing it, it would be at \$9.53 an hour right now. That would be the highest in the nation.

He discussed earlier failed attempts to raise the minimum wage and the AFL-CIO effort between the 2001 and 2002 sessions to gather 50,000 signatures and qualify an initiative for the ballot. The legislature suddenly became interested and passed a bill raising the minimum wage from \$5.65 to \$7.15, which was a 27 percent increase. There were a lot of predictions of gloom and doom and the National Restaurant Association and the local chapters were adamant that it would be a shock to employment in the state. What actually happened is that between 2002 and 2003 employment in low wage industries, particularly the ones like seafood processing, accommodations and food service drinking establishments saw an increase that was higher than the increase in the overall non-farm wages in Alaska. There might have been other factors, but that was fairly glaring evidence that there was not the kind of negative impact that the prior speaker mentioned. What he said is also belied by the very CBO study that he cited. The CBO found just a 0.3 percent job impact for the federal minimum wage going up from \$7.25 to \$10.10.

MR. FLANAGAN said that when Speaker Kott was asked about the speculation that the legislature passed the bill to keep the issue off the ballot, he said that wasn't his motivation. He said he thought it was better for the legislature to address the measure so they could change the inflation provision next year

if they decided to do so. If the change were made through a ballot initiative the legislature would need to wait two years. However, the unfortunate fact is that less than a year later the legislature came back and repealed a significant portion of the bill by removing the indexing provision that was strongly supported in polls and would have passed if the initiative had gone to the vote.

MR. FLANAGAN said that history explains why the initiative supporters are very concerned with comments about the possibility of a bill. If a bill supplants this initiative and thwarts the will of 36,000 Alaskans who signed it, there is no reason to believe that the same thing wouldn't happen again. He noted that a subset of the hospitality industry currently is looking for people to do just that. He urged the committee and legislature to let the initiative go to a vote of the people.

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He said that the CBO study that the prior speaker mentioned examined the effects on employment under \$9 and \$10 scenarios, and the \$9 scenario projected a possible 0.1 percent employment loss. By inference, the initiative proposal would result in 500 jobs lost in the Alaska economy. Goldman Sachs published a response to that CBO study on March 25th stating the following:

Economists are split on the question of whether a minimum wage hike would reduce employment. In our view, the CBO's recent estimate of a 500,000 hit to the level employment, .3 percent is likely a bit toward the upper end of reasonable estimates both because many studies find no significant impact to minimum wage hikes on employment and because the offsetting boost to demand is likely to be larger than usual at present. Any impact on the monthly payroll numbers would likely be small relative to normal volatility and would likely be concentrated in retail trade and leisure hospitality sectors.

MR. FLANIGAN discussed the history of the tip credit and the effort by the industry in 1996 to get a tip credit passed in Alaska. Had that effort succeeded, tipped employees would still be getting just \$5.25 an hour. The bill proposed by the initiative repeals and reenacts [AS 23.10.065(a) to reaffirm the longstanding Alaskan ban on tip credit.

He said that studies have shown that over 77 percent of Alaska workers earning minimum wage are over the age of 20. He commented that if they're living at home it's probably because they can't afford to leave. He also pointed out that critics like Mr. Saltsman may not be aware that workers under age 18 that work no more than 30 hour a week are exempt from the Alaska minimum wage law, only federal law applies. That provision dates back at least to 1981. He said that better estimates show that over 30,000 workers that are paid at or near the minimum wage would benefit from this measure.

[2:27:17 PM](#)

MR. FLANIGAN said that recent polls and conversations with Alaskans who signed the initiative petition show that this measure crosses party lines. He said his experience in District 1 was that 2 out of 3 people signed the minimum wage petition. He expressed confidence that Alaska voters will do the right thing and vote to replace the inadequate statement in wage law with the initiative proposal. He also expressed hope that the legislature will do the right thing by allowing the people to vote on the measure.

Addressing an earlier question from Chair Coghill, he said the findings in Section 1 are the same as the 2002 initiative, but they're not in statute.

[2:29:55 PM](#)

REVEREND MICHAEL BURKE, Pastor of St. Mary's Episcopal Church, Anchorage, Alaska, stated that the core of his family's success has been a strong work ethic and unshakable belief that hard work and following the rules will yield a better life for yourself and your family. He said the Alaskan dream rests on that belief but he fears that it's slipping away for working families at the lower economic level.

He described the situation of a family with three children that he works with. The husband works 60 hours a week at two minimum wage jobs and attends school at night. Using HUD data on fair market value for housing in Anchorage and the standard 30 percent for housing, he needs to work 113.8 hours a week to pay rent for the family. Even if both adults work they can't make it because they can't each work nearly 57 hours a week and still care for their children. The result is that they cycle in and out of shelters. Citing data from the Alaska Housing Finance Corporation (AHFC) that shows that just as many people are on the wait list as have housing vouchers throughout the state, he said the answer isn't to simply keep increasing the social

safety net. The answer is to make hard work pay. At \$9.75 an hour the family of five will still face challenges, but it's within reach if they're willing to work hard.

REVERAND BURKE concluded his comments urging legislators to give the people a straight up vote on the initiative to raise the minimum wage and link it to the CPI. This will reincentivize hard work and put the Alaska dream back in reach.

2:39:31 PM

VINCE BELTRAMI, President, Alaska AFL-CIO, Anchorage, Alaska, testified in support of the initiative to raise the minimum wage. He stated that he would address the purpose of the hearing, the opposing testimony, and the notion of substantially similar legislation. Starting with the first point, he suggested coming to some understanding on what the committee intends to do with the information that's gathered from the hearing.

CHAIR COGHILL explained that the intention is to give people an idea about the impacts of the law and whether there are competing economic or legal issues.

MR. BELTRAMI asked for confirmation that the committee doesn't have the authority to change the language in the initiative or take it off the ballot.

CHAIR COGHILL said that's correct. The hearing is intended to look at the proposed law, what it does, and the impacts.

MR. BELTRAMI took issue with the opposing testimony of Mr. Saltsman from the Employment Policy Institute. His boss is Richard Berman, a man the news show 60 Minutes once dubbed Mr. Evil because he's a media hit man for hire. He's created a web of organizations whose names are cleverly disguised to sound legitimate when he attacks organizations like Mothers Against Drunk Drivers. The Employment Policy Institute is a very good example because the name copies the liberal think tank called the Economic Policy Institute. The Employment Policy Institute receives millions in undisclosed funds to attack people on behalf of corporations. It's the farthest thing possible from an advocate on what's best for American workers.

CHAIR COGHILL said he'd like each person's testimony to stand on its own merit.

MR. BELTRAMI refuted earlier testimony that increasing the minimum wage does not help to reduce poverty. He pointed out

that even some of the Employment Policy Institute's own research shows that increasing the minimum wage helps reduce poverty. Also, Goldman Sachs said that inflation would probably increase just one tenth of one percent if the minimum wage was increased.

2:45:40 PM

MR. BELTRAMI addressed the notion of substantially similar legislation. He noted that Representative Pruitt recently indicated that the House might introduce a minimum wage bill since over 70 percent of poll respondents stated support for the initiative. Representative Pruitt further stated that nobody wants this to appear politically motivated because this is what constituents want. However, the political dynamic and motivation for keeping the issue off the ballot is quite transparent for a lot of people based on what happened in 2002. The AFL-CIO collected and submitted over 50,000 signatures and the legislature supplanted the initiative measure with a substantially similar bill and then stripped it the next year. That undermined the process and deprived the Alaska voters of a personal liberty.

MR. BELTRAMI reminded the legislators that tens of thousands of Alaskans in more than three-quarters of the legislative districts in the state signed this initiative petition and all Alaskans should be allowed to exercise the right to vote on the measure on the ballot. If substantially similar legislation is introduced, he committed AFL-CIO support to any legislators that resist its introduction or vote against it because the measure should go to the voters.

CHAIR COGHILL advised that the purpose of the meeting is to talk about the impacts of the initiative to the economy, not to discuss political strategy.

2:50:31 PM

NOAH SUNFLOWER, Organizer, UNITE HERE Local 878, Anchorage, Alaska, said this is a hotel and restaurant workers union. He addressed two points Mr. Saltsman made. He advocated an earned income tax credit as opposed to an increase in the minimum wage, but what this means is that instead of employers paying workers more, tax dollars will be used to pay people more. The second point was that raising the minimum wage increases teen unemployment. Mr. Sunflower said he'd like to be able to pay a teen to mow his lawn. It takes about a half an hour and if he paid \$7.75 that would be double the current minimum wage.

MR. SUNFLOWER relayed that Local 878 has ongoing contract disputes with two hotels in downtown Anchorage. Their wages are lagging the wages for the rest of Anchorage and they can't find people to clean rooms for \$12 an hour so they've resorted to using J-1 Visa workers. That takes work away from Alaskans.

[2:55:13 PM](#)

STACY ALLEN, member, Laborers' Local 341, Palmer, Alaska, testified in strong support of the initiative to increase the minimum wage. Union members from Local 341, Local 942, and Local 71 will be out in force to see that this initiative becomes law, she said. It's a labor and human rights issue.

[2:56:02 PM](#)

BARBARA HUFF TUCKNESS, Director, Legislative and Governmental Affairs, Teamsters 959, Anchorage, Alaska, testified in support of the minimum wage initiative. She relayed that she and a few union members volunteered to gather signatures statewide. The union doesn't represent any minimum wage workers, but they hope that the initiative will help workers that have no representation. On behalf of those unrepresented voters, she asked legislators to allow voters to vote on the measure.

[2:57:16 PM](#)}

SHARON CLAWSON, representing herself, Anchorage, Alaska, testified in support of the Initiative. She explained that her support for the initiative is the result of concern about the effects of poverty on children, especially in school achievement. Research shows that 25.9 percent of working families in Alaska are considered to be among the working poor and one-third of children in the U.S. with single mothers live in poverty. Poverty in Anchorage schools seriously affects achievement; this past school year 48 percent of Anchorage School District (ASD) students qualified as economically disadvantaged and 25.8 percent are considered transient or homeless. While raising the minimum wage in Alaska won't alleviate all poverty, it will make a difference, she said.

[3:00:07 PM](#)

ZEBULON WOODMAN, Laborers Local 942, Fairbanks, Alaska, testified in support of the initiative to increase the minimum wage. He said he'd like Alaska wages to be high enough to draw people from rural areas where the unemployment is high to areas in the state that have tourism so the industry doesn't import low-wage J-1 Visa workers from overseas. Also, when the minimum wage is so far below the poverty level that many families need public assistance to survive, everybody should be ashamed.

MR. WOODMAN refuted Mr. Saltsman's testimony that increasing the minimum wage in Washington state resulted in higher unemployment. What actually happened since Washington residents voted in 1998 to raise the state's minimum wage and link it to the cost of living is that those wages have climbed to the highest in the country and job growth has increased .8 percent on an annual basis. Furthermore, payrolls at Washington's restaurants and bars have expanded 21 percent and poverty has trailed the U.S. level for the last 7 years. He concluded saying that there's no reason that Alaska shouldn't have the highest minimum wage in the country and Alaskans should have the opportunity to vote on the measure.

[3:02:19 PM](#)

KARM SINGH, Lineman Representative, Alaska IBEW 1547, Fairbanks, Alaska, testified in support of the Initiative. He said he's listened to all the testimony and hopes that the committee has come to the same conclusion that he has, which is that raising the minimum wage is positive for the state. He also expressed appreciation for the Chair's statement that the committee had no plans to interfere on the people's right to vote. He encouraged continuing on that course.

CHAIR COGHILL restated that this is a hearing to collect information so that Alaskans can hear the substance of the issue.

[3:03:40 PM](#)

KEVIN POMEROY, Business Manager, Laborers Local 1942, Fairbanks, Alaska, testified in support of the initiative to increase the minimum wage. He said there's been lots of talk lately about making Alaska friendly for business, investing in Alaska's future, and making Alaska competitive. He asked if Alaska shouldn't also be a friendly place for its workers. It's common knowledge that people with entry-level jobs who have more money in their pocket at the end of the month will spend that at local businesses. He urged legislators to let Alaskans vote on the minimum wage initiative and warned against giving the voters a sense of Deja vu.

[3:05:13 PM](#)

FAY GAVIN, representing herself, Anchorage, Alaska, testified that she is a minimum wage worker who moved to Alaska 40 years ago to follow her dream. She came as a single parent with two daughters and she couldn't afford to feed and house them. She found help and a pay raise by joining the hotel and restaurant

union. She urged legislators to help all Alaskans to climb out of poverty by working for a living wage and to let Alaskans vote on the initiative.

3:07:23 PM

CHAIR COGHILL asked Mr. Flanagan to differentiate between a living wage and a minimum wage.

MR. FLANAGAN said that a minimum wage has a floor whereas a living wage is usually local or municipal. He noted that a lot of small business people have said that they couldn't in good conscience pay their workers less than \$10 and they certainly wouldn't pay \$7.75, but a "low-road" employer next door may do that.

CHAIR COGHILL asked his perspective on teen workers and the minimum wage.

MR. FLANAGAN reiterated that a long-standing provision in Alaska law allows employers to pay someone who is under age 18 less than minimum wage. What that means is that an employer wouldn't have to pay the additional \$0.50 above the federal minimum wage. With regard to the testimony about teen unemployment, he said he didn't believe that Alaska was affected but if teens are being displaced in some places it's because adults have had to take minimum wage jobs that teens used to get.

3:13:21 PM

CHAIR COGHILL asked if the state has had to fine or take legal action against employers that paid less than minimum wage.

MR. MITCHELL confirmed that DOLWD has a certain percentage of wage claims every year that fall into the minimum wage category. AS 23.10.110 provides a penalty for that and it's double the amount of the unpaid wages.

CHAIR COGHILL asked if there's just one multiplier in statute and that it's for school bus drivers.

MR. MITCHELL said that multiplier is for two times the state minimum wage but it wouldn't take effect until the contracts are renegotiated. The one other multiplier relates to overtime exemptions for administrative, executive, and professional employees who have to be paid two times the minimum wage for the first 40 hours of work under a salary agreement. That would have an impact if the minimum wage is increased.

REPRESENTATIVE KITO III commented that his experience with the tip credit issue is that service employees generally work fewer than 40 hours, so allowing them to receive tips in addition to the minimum wage allows them to make enough money to pay rent or groceries that probably would be out of reach if the tips was credited against their wage.

CHAIR COGHILL thanked the participants.

3:17:04 PM

There being no further business to come before the committee, Chair Coghill adjourned the joint meeting of the Senate Judiciary Standing Committee and the House Judiciary Standing Committee at 3:17 p.m.