

SB

1

<target><bill>SB 1</bill><subject>SB
1</subject><comm>HFIN26</comm></target>

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSSB 1(L&C)
 (S) Publish Date: 2/25/09

Identifier (file name): SB001-DOLWD-WH-02-02-09 Dept. Affected: Labor and Workforce Development
 Title: Alaska Minimum Wage RDU: Labor Standard & Safety
 Sponsor: Senators Wielechowski, Ellis, Thomas, Davis, French Component: Wage and Hour
 Requester: Senate Labor and Commerce Component Number: 345

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES								
-----------------------------	--	--	--	--	--	--	--	--

CHANGE IN REVENUES ()								
-------------------------------	--	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
1157 Worker Safety Account								
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2009) cost: None

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

There is no anticipated financial impact to the department as a result of this legislation.

Prepared by: Grey Mitchell, Director
 Division: Labor Standard & Safety
 Approved by: Click Bishop, Commissioner
 Agency: Department of Labor and Workforce Development

Phone 465-4855
 Date/Time 2/2/09 9:32 AM
 Date 2/2/09

CS FOR SENATE BILL NO. 1(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 4/7/09
Referred: Rules

Sponsor(s): SENATORS WIELECHOWSKI, ELLIS, THOMAS, DAVIS, AND FRENCH, Paskvan, Menard

A BILL
FOR AN ACT ENTITLED

1 **"An Act increasing the minimum hourly wage; and providing for an effective date."**

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 *** Section 1.** AS 23.10.065(a) is repealed and reenacted to read:

4 (a) Except as provided in (b) of this section and as otherwise provided by law,
5 for hours worked in a pay period, whether the work is measured by time, piece,
6 commission, or otherwise, an employer shall pay to each employee wages at a rate that
7 is not less than \$7.25 an hour until December 31, 2009, and thereafter not less than 50
8 cents an hour more than the federal minimum wage. An employer may not apply tips
9 or gratuities bestowed on employees as a credit toward payment of the minimum
10 hourly wage required by this section. Tip credit as defined by the Fair Labor Standards
11 Act of 1938 as amended does not apply to the minimum wage established by this
12 section.

13 *** Sec. 2.** This Act takes effect July 24, 2009.

not offered

AMENDMENT

2

By Rep. Gara

OFFERED IN THE HOUSE
TO: CSSB 1(FIN)

1 Page 1, lines 3 - 13:

2 Delete all material and insert:

3 **** Section 1.** AS 23.10.065(a) is amended to read:

4 (a) Except as provided under (b) of this section and as otherwise provided for
5 in law, for work performed on or after January 1, 2010 [2003], an employer shall pay
6 to each employee wages at a rate of not less than the wage established in this
7 subsection [\$7.15 AN HOUR] for hours worked in a pay period, whether the work is
8 measured by time, piece, commission, or otherwise. An employer may not apply tips
9 or gratuities bestowed upon employees as a credit toward payment of the minimum
10 hourly wage required by this section. Tip credit as defined by the Fair Labor Standards
11 Act of 1938 as amended does not apply to the minimum wage established by this
12 section. The minimum hourly wage under this subsection is \$7.85 an hour for
13 work performed on or after January 1, 2010; however, for work performed in
14 years after December 31, 2010, the minimum hourly wage under this subsection
15 is the greater of

16 (1) \$1 more an hour than the federal minimum wage; or

17 (2) \$8.60 an hour for work performed on or after January 1, 2011,
18 and \$9.45 an hour for work performed on or after January 1, 2012; thereafter,
19 the department shall, by regulation, not later than September 30 of each calendar
20 year, adjust the minimum hourly wage established in this paragraph for inflation
21 effective for the following calendar year; the adjusted minimum hourly wage
22 shall be the most recent wage under this paragraph adjusted for 100 percent of
23 the rate of inflation based on the Consumer Price Index for all urban consumers

1 for the Anchorage metropolitan area, compiled by the Bureau of Labor Statistics,
2 United States Department of Labor; the department shall round the adjusted
3 minimum hourly wage up to the nearest one cent; the adjusted minimum hourly
4 wage shall apply to work performed beginning on January 1 through
5 December 31 of the year for which it is effective, and the first adjustment takes
6 effect January 1, 2013.

7 * Sec. 2. This Act takes effect January 1, 2010."

not offered

AMENDMENT |

OFFERED IN THE HOUSE
TO: CSSB 1(FIN)

BY REPRESENTATIVE HAWKER

1 Page 1, line 1, following "wage;":

2 Insert **"allowing employers to apply tip credit to the state's minimum wage;"**

4 Page 1, line 8, following "wage.":

5 Delete "An"

6 Insert "Except as provided in (d) of this section, an"

8 Page 1, line 10, following "section.":

9 Delete "Tip credit as defined by the Fair Labor Standards Act of 1938 as amended
10 does not apply to the minimum wage established by this section."

12 Page 1, following line 12:

13 Insert a new bill section to read:

14 **** Sec. 2.** AS 23.10.065 is amended by adding a new subsection to read:

15 (d) An employer

16 (1) may apply tip credit to the minimum wage established by this
17 section if, for the pay period on which the employee's pay is based,

18 (A) the employee reports tips or gratuities to the employer for
19 federal income tax purposes and the amount reported by the employee
20 averages at least \$7.25 an hour for the hours worked; and

21 (B) the employer provides written notice to the employee, in
22 advance of the pay period, that the employer may elect to reduce the
23 employee's pay, based on tips and gratuities the employee reports to the

1 employer for federal income tax purposes, by the amount calculated under (2)
2 of this subsection;

3 (2) shall determine tip credit when authorized by this subsection by
4 dividing the tips and gratuities received in a pay period that the employee reports
5 under (1) of this subsection by the number of hours the employee worked in the pay
6 period; tip credit taken under this paragraph may not exceed the difference between
7 the minimum wage and \$7.25 an hour."

8
9 Renumber the following bill section accordingly.

ALASKA STATE LEGISLATURE



SENATOR BILL WIELECHOWSKI
SENATOR JOHNNY ELLIS
SENATOR JOE THOMAS
SENATOR KIM ELTON
SENATOR HOLLIS FRENCH

Sponsor Statement: CS for SB 1 (FIN) Raising the Minimum Wage

Alaska's cost of living is one of the highest in the nation. The cost of food, housing, utilities, transportation and health care are far greater here than in most states. Despite this, Alaska has the lowest minimum wage on the West Coast. Oregon, Washington, California and Hawaii all have higher minimum wages, as do 15 other states. In addition, in July 2009, the federal minimum wage will increase to \$7.25, surpassing Alaska's current rate of \$7.15. This will be the first time since statehood that Alaska's minimum wage will fall below the federal level.

CS for SB 1 (FIN) would increase Alaska's minimum wage from \$7.15/hour to 50 cents above the federal minimum wage on January 1, 2010. If Alaska's minimum wage, last raised in 2003, were to have kept pace with the rate of inflation, it would be roughly \$8.75/hour in 2010. This bill would raise our minimum wage to \$7.75/hour in 2010 – a modest increase in these difficult economic times.

More than 8,000 Alaskans earn less than \$7.75/hour and would benefit from this legislation. Workers that earn the current Alaska minimum wage make roughly \$14,872/year, which is little more than the federal poverty level for Alaska (\$13,530). Nationally, 25% of those who earn just under \$8/hour are parents. Many are the sole wage earners in their household.

Economic studies show that higher wages lead to greater productivity, lower recruiting and training costs, decreased absenteeism, and increased worker morale. Studies have not documented negative employment impacts (e.g., job loss) due to modest increases in the minimum wage, such as that proposed by this bill.

A minimum wage increase will help improve the standard of living for many Alaskan families and recognizes Alaska's high cost of living. This legislation received broad bipartisan support in the Alaska State Senate. Please join us in supporting CS for SB 1 (FIN).

8:37 am MS copy

4-16-09

SB 1: Raising the Minimum Wage

4/15/09 Remarks to House Finance Committee

- Mr. Chairman and members of the committee, thank you for scheduling a hearing on SB 1, a bill jointly introduced by Senate Majority Leader Ellis as well as Senators Thomas, Wielechowski, Davis and French.
- All of the prime sponsors of the bill are currently ^{in caucus} ~~on the floor~~, so they asked me to make these remarks on their behalf.
- As you know, CS for SB 1 (FIN) passed the Senate by a 17 - 2 margin with strong bipartisan support. It is the product of much compromise and proposes two modest increases to Alaska's minimum wage.
- The first increase would take place on July 24, when Alaska's minimum wage will fall -- for the first time in the state's history -- under the level of the federal minimum, which rises in July to \$7.25.
- This increase would make Alaska's minimum wage equal to the federal minimum.
- The second increase would become effective on January 1, 2010, when our minimum wage would rise to 50 cents above the federal level. Effectively this would create a state minimum wage of \$7.75/hour.
- The sponsors of this bill believe these small increases are appropriate for several reasons.
- Alaska's cost of living is one of the highest in the nation. The cost of food, housing, utilities, transportation and health care are far greater here than in other states.

- Despite this, Alaska's minimum wage is currently the lowest on the West Coast and lower than 19 other states. In July, our minimum wage will be lower than 39 other states.
- This is not only unacceptable, but contrary to Alaska's long tradition of being at least 50 cents above the federal minimum.
- Had our minimum wage, last raised in 2003, been adjusted annually for inflation, it would be \$8.46 today – significantly less than what this CS proposes.
- At least 9 states adjust their minimum wage annually for inflation, including Arizona, Colorado, Montana, Nevada, Oregon, and Washington.
- It's important to note that this CS does not do that. It merely proposes to increase the wage on a one-time basis to reflect Alaska's increasing cost of living and the difficulty faced by Alaskans struggling to live on the minimum wage.
- More than 8,000 Alaskans earn less than \$7.75/hour. Most work in accommodation and food service, retail trade, educational services, and manufacturing.
- A full-time worker that makes the minimum wage earns about \$15,000/year, before taxes. This is barely above the poverty level for a single person (\$13,500) and is \$3,000 less poverty level for a family of two (\$18,000.)
- This is important because 25% of those who earn between \$7.15 and \$8/hour are parents. Many are the sole wage earners in their household.

- We also know that roughly 58% of minimum wage earners are adults, and the average age of those adults is 38. It's a fallacy that most minimum wage earners are kids.
- It's important to note that Alaska law currently exempts employees under age 18 working 30 hours or less/week from the state's minimum wage. The minimum wage is not a "training wage" for kids -- it's a wage provided to many adults for sustained periods of time.
- State law (AS 23.10.070) also allows the Commissioner of Labor to set a lower minimum wage for individuals whose earning capacity is impaired by physical or mental deficiency, age, or injury.
- One question many people ask is whether raising the minimum wage will result in loss of jobs. This is an important question. Fortunately, there is a growing consensus among economists that increases in the minimum wage do not result in negative employment impacts.
- Recently, over 650 economists, including 5 Nobel prize winners, signed a statement that minimum wage increases can "significantly improve the lives of low-income workers and their families, without the adverse impacts that critics have claimed."
- Alaska's own experience backs this up.
- If we look at the food and beverage industry where the greatest number of minimum wage earners work, we see that the number of employees was not affected by the passage in 2002 of a minimum wage increase.
- In the years following implementation of the wage hike, the number of workers rose steadily.
- The same pattern can be seen in the retail trade industry.

- Economic studies also indicate that higher wages lead to greater productivity, lower recruiting and training costs, decreased absenteeism, and increased worker morale.
 - As today's economic downturn forces more poor families to rely on their earnings from low-paying jobs, a minimum wage increase can help lower income Alaskans improve their standard of living and achieve greater financial independence.
 - It may also reduce the number of Alaskans forced to rely on public assistance.
-
- Working for a minimum wage should not mean working for a minimum quality of life.
 - On behalf of Senators Ellis, Thomas, Davis, French and Wielechowski, I urge you to support this compromise version of SB 1.

Raising the Minimum Wage: CS for Senate Bill 1 (FIN)

Proposal:

Increase Alaska's minimum wage from \$7.15/hour to 50 cents above the federal minimum wage, effective January 1, 2010.

Background:

- Alaska's cost of living is one of the highest in the nation. The cost of food, housing, utilities, and health care are far greater than in other states.
- Despite this, 19 states have a higher minimum wage than Alaska, including California, Connecticut, Hawaii, Iowa, Illinois, Michigan, Oregon, Rhode Island, Vermont, and Washington. By July 2009, this number will increase to 39.
- Alaska's minimum wage was last raised in January 2003. Since then, the prices of fuel, medical care, and other goods in Alaska have skyrocketed.
- If Alaska's minimum wage were to keep pace with inflation, it would be \$8.78/hour in 2010, when Senate Bill 1 would go into effect. Projected 2010 minimum wages are \$8.88 in Washington and \$8.72 in Oregon. California is already at \$8.00/hour.
- At least nine states adjust their minimum wage annually for inflation, including Arizona, Colorado, Florida, Missouri, Montana, Nevada, and Oregon. This compromise proposal does not call for annual inflation-proofing.
- On July 24, 2009, the federal minimum wage will increase to \$7.25, surpassing Alaska's. This proposal would increase Alaska's minimum wage to \$7.25 on July 24 and to 50cents above the federal level on January 1, 2010.
- More than 8,000 Alaskans earn less than \$7.75/hour and would benefit from this legislation.
- Workers that earn the current Alaska minimum wage make roughly \$14,872/year, little more than the federal poverty level for Alaska, which is \$13,530. Nationally, 25% of those who earn slightly less than \$8/hour are parents. Many are the sole wage earners in their household.
- Economic studies have not found negative employment impacts (e.g., job loss) due to modest increases in the minimum wage, perhaps because higher wages lead to greater productivity, lower recruiting and training costs, decreased absenteeism, and increased worker morale.

Estimated Alaska 2007 Employment¹ by Industry and Below Certain Wages

Number and percentage of workers making less than this wage:		
	Employment	Percent
Below \$7.75	8,790	2.9%
Below \$8.75	22,254	7.4%
Total Employment	301,918	

Industry	Total Employment	Below \$7.75		Below \$8.75	
		Number	Percent	Number	Percent
Agriculture, Forestry, Fishing and Hunting	361	0	0.0%	4	1.0%
Mining	13,300	19	0.1%	59	0.4%
Utilities	1,832	8	0.4%	25	1.4%
Construction	17,555	70	0.4%	124	0.7%
Manufacturing	9,885	648	6.6%	1,467	14.8%
Wholesale Trade	6,519	83	1.3%	244	3.7%
Retail Trade	36,006	1,138	3.2%	4,285	11.9%
Transportation and Warehousing	21,623	166	0.8%	631	2.9%
Information	6,964	147	2.1%	304	4.4%
Finance and Insurance	8,969	54	0.6%	174	1.9%
Real Estate and Rental and Leasing	4,885	216	4.4%	564	11.5%
Professional, Scientific, and Technical	12,146	90	0.7%	245	2.0%
Management of Companies and Enterprises	1,203	3	0.3%	13	1.1%
Administrative and Support and Waste	11,026	220	2.0%	446	4.0%
Educational Services	31,737	1,168	3.7%	1,953	6.2%
Health Care and Social Assistance	36,245	372	1.0%	990	2.7%
Arts, Entertainment, and Recreation	4,066	355	8.7%	884	21.7%
Accommodation and Food Services	26,610	3,440	12.9%	8,309	31.2%
Other Services (except Public	9,425	358	3.8%	987	10.5%
Public Administration	41,561	235	0.6%	546	1.3%
TOTAL EMPLOYMENT:	301,918	8,790	2.9%	22,254	7.4%

¹ Nonfarm wage and salary employment. Excludes self-employed workers, fishermen, domestic workers, unpaid family workers and nonprofit volunteers.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and U.S. Department of Labor, Bureau of Labor Statistics, January 20, 2009.

These estimates are based on information collected in cooperation with the U.S. Bureau of Labor Statistics (BLS), but have not been reviewed nor validated by BLS. The Research and Analysis Section is responsible for the creation of these estimates.

My name is Silvia Villamides director of Anchorage CHARR representing over 250 small businesses in our community.

Anchorage CHARR supports a minimum wage increase for all non-tip employees. We would like to see an amendment added that reflects the inclusion of federally taxed tips as wages. Anchorage CHARR cannot support the bill as written. I wish to comment on an aspect of the minimum wage debate that is not included in this bill and it is called tip credit.

So what is tip credit? With tip credit, employers can count a certain part of their employees' tips toward meeting their employees' minimum wage. Tip credit has long been on the books. There are 43 States who have tip credit. Labor laws recognize it, tax laws recognize it. It is an issue that impacts small businesses and their workers--mostly in the hospitality industry, such as restaurant workers.

Proposal:

1. Employees would be able to keep the current minimum wage of \$7.25 which would be in line with the new increased Federal Wage effective July 24.
2. In the event of future minimum wage increases, employers will be able to receive a credit if their tipped employees make at least \$7.25 per hour in tips and for employees who do not meet the minimum tip amount would receive the established minimum wage.
3. Employees who make the \$7.25 tipped amount would maintain the \$7.25 per hour in wages for a wage base of a minimum of \$14.50.

An employee who makes \$7.25 an hour in wages and at a minimum of \$7.25 an hour in tips working full time will make over \$30,000 a year.

If this legislation passes as written, hospitality establishments would have to make tough decisions, such as raising prices, cutting the workforce, reducing employee hours or, worse, shutting down their businesses. A small business with 20 employees will be affected with at least \$25,000 in labor cost.

I wish to make it clear that by adding tip credit to this law, it will not result in a lowering of the new Federal minimum wage.

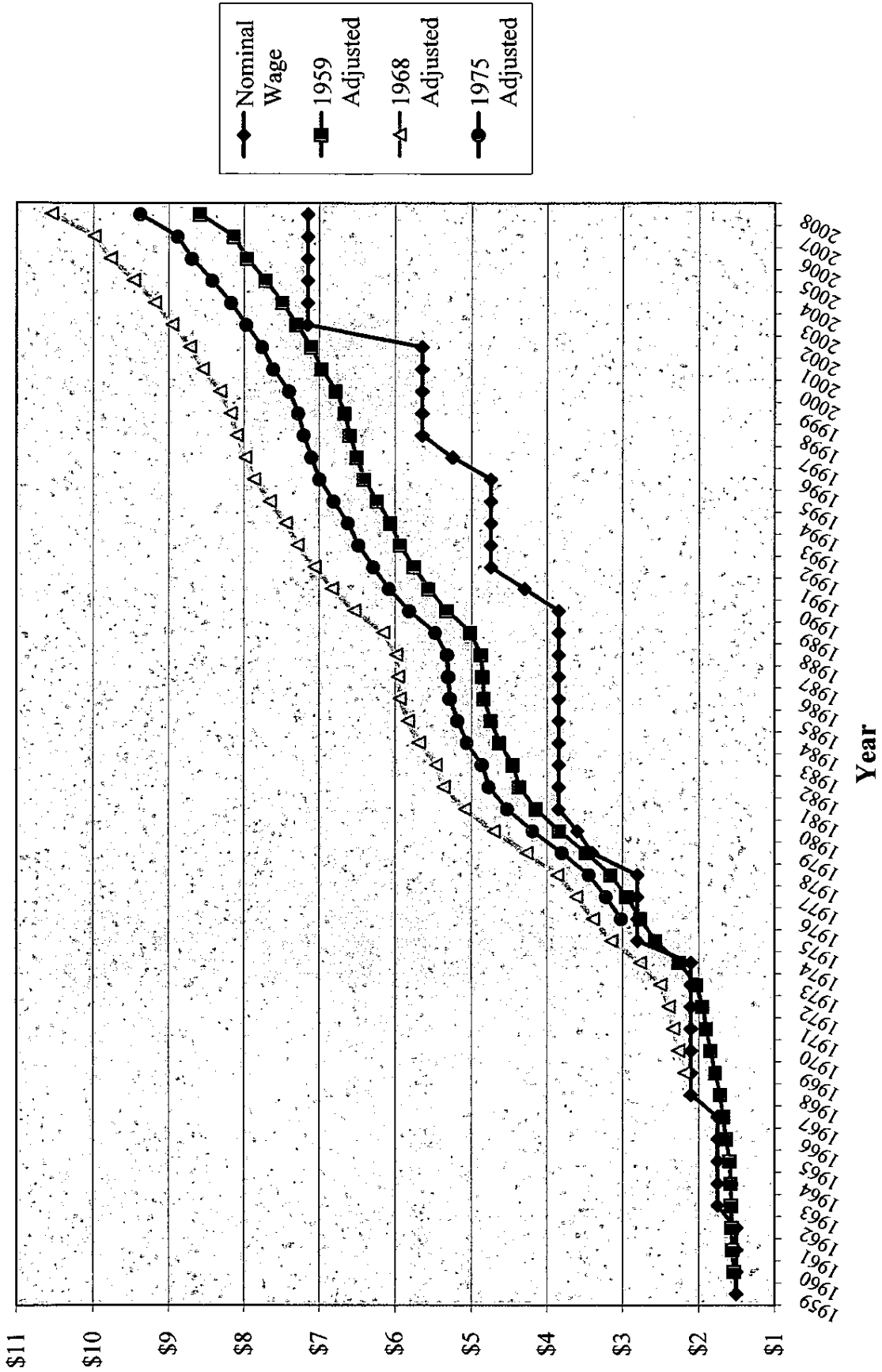
As minimum wage keeps increasing, let's also ensure that our businesses can operate on a more level playing field with the rest of the 43 States that have the tip credit. Without the tip credit, the hospitality businesses and workers will continue to suffer.

It is my hope that the minimum wage proposal will also allow for tip credit, which is critical to the future of many small businesses and workers, and in the end, about fairness and, most importantly, about keeping jobs in these tough times.

2009 Poverty Guidelines for Alaska	
Persons in family	Poverty guideline
1	\$13,530
2	18,210
3	22,890
4	27,570
5	32,250
6	36,930
7	41,610
8	46,290
For families with more than 8 persons, add \$4,680 for each additional person.	

The current Alaska minimum wage yields an annual income of \$14,872. This is barely above the federal poverty level for a single person and is under the poverty level for a single parent with one child.

Alaska Minimum Wage



Consolidated State Minimum Wage Update Table (Effective Date: 01/01/2009)

> Federal MW	Equals Federal MW of \$6.55	< Federal MW	No MW Required
AK - \$7.15	ID	AR - \$6.25	AL
AZ - 7.25	IN	GA - 5.15	LA
CA - 8.00	KY	KS - 2.65	MS
CO - 7.28	MD	MN - 6.15	SC
CT - 8.00	NE	WI - 6.50	TN
DE - 7.15	NC	WY - 5.15	
DC - 7.55	ND		5 States
FL - 7.21	OK	6 States	
HI - 7.25	SD		
IL - 7.75	TX		
IA - 7.25	UT		
ME - 7.25	VA		
MA - 8.00			
MI - 7.40			
MO - 7.05	12 States		
MT - 6.90			
NV - 6.85			
NH - 7.25			
NJ - 7.15			
NM - 7.50			
NY - 7.15			
OH - 7.30			
OR - 8.40			
PA - 7.15			
RI - 7.40			
VT - 8.06			
WA - 8.55			
WV - 7.25			
27 States + DC			

Estimated Alaska 2007 Employment¹ by Industry and Below Certain Wages

Number and percentage of workers making less than this wage:		
	Employment	Percent
Below \$7.75	8,790	2.9%
Below \$8.75	22,254	7.4%
Total Employment	301,918	

Industry	Total Employment	Below \$7.75		Below \$8.75	
		Number	Percent	Number	Percent
Agriculture, Forestry, Fishing and Hunting	361	0	0.0%	4	1.0%
Mining	13,300	19	0.1%	59	0.4%
Utilities	1,832	8	0.4%	25	1.4%
Construction	17,555	70	0.4%	124	0.7%
Manufacturing	9,885	648	6.6%	1,467	14.8%
Wholesale Trade	6,519	83	1.3%	244	3.7%
Retail Trade	36,006	1,138	3.2%	4,285	11.9%
Transportation and Warehousing	21,623	166	0.8%	631	2.9%
Information	6,964	147	2.1%	304	4.4%
Finance and Insurance	8,969	54	0.6%	174	1.9%
Real Estate and Rental and Leasing	4,885	216	4.4%	564	11.5%
Professional, Scientific, and Technical	12,146	90	0.7%	245	2.0%
Management of Companies and Enterprises	1,203	3	0.3%	13	1.1%
Administrative and Support and Waste	11,026	220	2.0%	446	4.0%
Educational Services	31,737	1,168	3.7%	1,953	6.2%
Health Care and Social Assistance	36,245	372	1.0%	990	2.7%
Arts, Entertainment, and Recreation	4,066	355	8.7%	884	21.7%
Accommodation and Food Services	26,610	3,440	12.9%	8,309	31.2%
Other Services (except Public	9,425	358	3.8%	987	10.5%
Public Administration	41,561	235	0.6%	546	1.3%
TOTAL EMPLOYMENT:	301,918	8,790	2.9%	22,254	7.4%

1 Nonfarm wage and salary employment. Excludes self-employed workers, fishermen, domestic workers, unpaid family workers and nonprofit volunteers.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and U.S. Department of Labor, Bureau of Labor Statistics, January 20, 2009.

These estimates are based on information collected in cooperation with the U.S. Bureau of Labor Statistics (BLS), but have not been reviewed nor validated by BLS. The Research and Analysis Section is responsible for the creation of these estimates.

Alaska's Projected Minimum Wage in 2010
Compared with Other Western States' Minimum Wages
Which are Indexed to Inflation¹

	Alaska	Washington	Oregon	Colorado
2009 minimum wage	\$7.15	\$8.55	\$8.40	\$7.28
2010 projected minimum wage	\$7.15	\$8.88	\$8.72	\$7.56
2010 wage under SB 1	\$8.75	\$8.88	\$8.72	\$7.56

1

Based on the Alaska Permanent Fund Corporation's forecasted inflation rate of 3.85%.

LEGISLATIVE RESEARCH REPORT

JANUARY 30, 2009



REPORT NUMBER 09.113

ALASKA'S MINIMUM WAGE ADJUSTED FOR INFLATION

PREPARED FOR SENATOR BILL WIELECHOWSKI

BY ROGER WITHINGTON, LEGISLATIVE ANALYST

INFLATION-PROOFING THE MINIMUM WAGE	1
<i>Figure 1: The Inflation Rate and the Inflation Adjusted Minimum Wage,</i>	
<i>2004 through 2009, and Projected for 2010.....</i>	3
HISTORY OF THE MINIMUM WAGE.....	4
<i>Table 1: The Minimum Wage in Alaska and the Federal Minimum Wage.....</i>	5

You asked for information regarding Alaska's minimum wage. Specifically, you wished to know what the minimum wage would be today if the minimum wage inflation-proofing provisions of HB 56, passed in 2002, had not been repealed in 2003. You also asked us to project what the minimum wage would be in 2010. Based on our calculations, had the minimum wage been adjusted for inflation each year since October 2003, the current minimum wage in Alaska would be \$8.46 per hour and the projected minimum wage for 2010 would be \$8.78 per hour. *

INFLATION-PROOFING THE MINIMUM WAGE

As you may know, an inflation-proofing provision was added to the Alaska minimum wage law through the enactment of HB 56 in 2002, which also raised the minimum wage from \$5.65 (which was 50 cents above the federal minimum wage) to \$7.15 per hour. The bill, which took effect on January 1, 2003, also instructed the Department of Labor and Workforce Development (DOLWD) to calculate the first inflation-adjusted minimum wage rate by October 1, 2003, and each year thereafter. Because HB 199, which removed the inflation-adjustment provision, passed prior to October 1, 2003, the DOLWD was never required to calculate inflation-related minimum wage increases.

907-465-3991
907-465-3908 (fax)

Alaska Legislature
Legislative Research Services
w3.legis.state.ak.us/lra/research/research.php

State Capitol
Juneau, AK 99801

The annual rate of inflation for each calendar year is not available until January of the following year. Since the inflation-proofing provisions of HB 56 required the minimum wage be adjusted by October 1st of each year, we adjusted the minimum wage using the previous two semi-annual Anchorage Consumer Price Index (CPI) figures.¹ Based on our calculations, if the minimum wage had been adjusted for inflation each year since October 2003, the current minimum wage would be \$8.46 per hour.

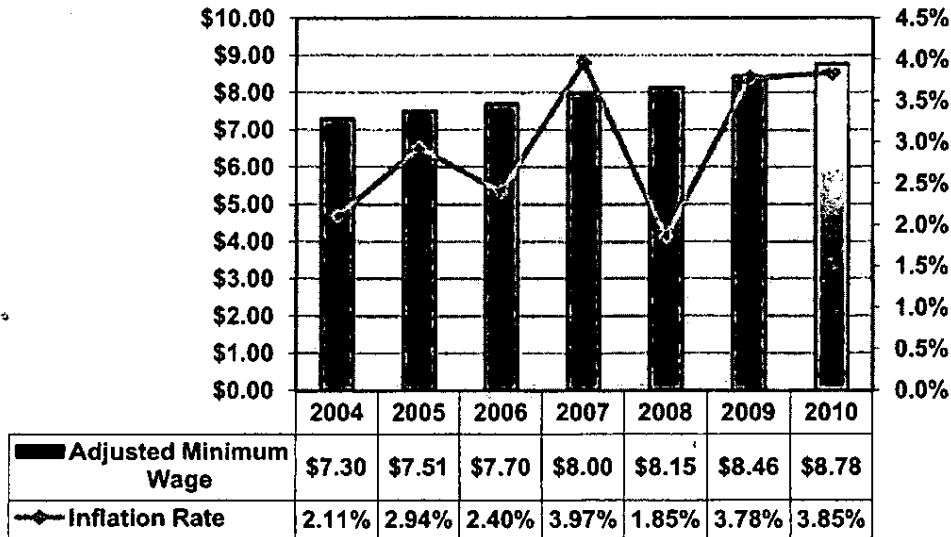
You also asked us to project the minimum wage, using a forecasted inflation rate, for 2010. Using the projected rate of inflation used by the Alaska Permanent Fund Corporation (APFC) for 2009 of 3.85 percent, the inflation-adjusted minimum wage for 2010 would be approximately \$8.78 per hour.² Please use caution when considering this figure. As you know, we are in a period of significant economic uncertainty, and as such, the APFC's projected rate of inflation for 2009 is unlikely to reflect actual events.

In Figure 1 we provide the inflation rate and the inflation adjusted minimum wage for each year since 2003, as well as the projected inflation rate for 2010.

¹ The U.S. Department of Labor, Bureau of Labor Statistics (BLS) only calculates the consumer price index for Anchorage.

² According to Laura Achee, Director of Communications for the Alaska Permanent Fund Corporation (APFC), the methodology used by the APFC to calculate the rate of inflation can be found in AS 37.13.145(c). Ms. Achee can be contacted at 907-796-1522. We obtained the projected inflation rate from http://www.apfc.org/_amiReportsArchive/2008_12_PROJ.pdf.

Figure 1: The Inflation Rate and the Inflation-Adjusted Minimum Wage, 2004 through 2009, and Projected for 2010



Notes: The 2003 minimum wage was \$7.15. We used this figure to base all subsequent adjustments. HB 56 required the Department of Labor and Workforce Development (DOLWD) to calculate an inflation adjusted minimum wage by October 1st of each year. This adjusted minimum wage would go into effect January 1st of the following calendar year. Because HB 199, which removed the inflation-adjustment provision, passed prior to October 1, 2003, the DOLWD did not calculate inflation-related minimum wage increases.

The inflation rate is based on the Anchorage Consumer Price Index (CPI), which is the rate used to adjust the minimum wage. Since the annualized CPI rate for each year is not available until January of the following year, and because the minimum wage was to be adjusted by October 1st of each year, we used the CPI for the first half of one year and the second half of the previous year, divided by two to get the average, and then calculated the percentage difference from the year before. This is the rate we applied to the minimum wage in order to make the adjustment for inflation.

The figures for 2010 are projected.

Sources: Consumer Price Index information is from the Alaska Department of Labor and Workforce Development, <http://almis.labor.state.ak.us/?PAGEID=67&SUBID=198>. Projected rate of inflation is from the Alaska Permanent Fund Corporation, http://www.apfc.org/_amiReportsArchive/2008_12_PROJ.pdf.

HISTORY OF THE MINIMUM WAGE

As you know, the federal Fair Labor Standards Act (FLSA), first passed by Congress in 1938, addresses many employment issues including overtime and the minimum wage. Congress set the first federal minimum wage at \$0.25 per hour.³ States could also set their own minimum wages, and in 1959 the first Alaska legislature established the Alaska minimum wage at \$1.50 per hour—at that time, the federal minimum wage was \$1.00 per hour.⁴ As with the FLSA, Alaska law included several exemptions to coverage by the minimum wage requirement, including farmers, fishermen, domestic help, and public employees.⁵

In 1962, the Alaska legislature changed the statute so that the minimum wage in Alaska would be at least \$0.50 per hour greater than the federal minimum wage, which at that time was \$1.25 per hour.⁶ In 1974, the Alaska legislature again addressed the issue of the minimum wage, and amended the statute to establish the minimum wage at "not less than 50 cents an hour greater than the prevailing Federal Minimum Wage Law or \$2.60 an hour, whichever is greater."⁷ In 1990, the legislature included a requirement that school bus drivers be paid a rate of not less than two times the minimum wage.⁸ Table 1 shows the amount of the minimum wage in Alaska from 1959 to the present.

³ "Federal Minimum Wage Rates under the Fair Labor Standards Act," Wage and Hour Division, Employment Standards Administration, U. S. Department of Labor, <http://www.dol.gov/esa/minwage/chart.htm>.

⁴ Section 5, Chapter 171, SLA 1959.

⁵ Section 2, Chapter 171, SLA 1959. According to the U. S. Department of Labor, "The 1938 Act was applicable generally to employees engaged in interstate commerce or in the production of goods for interstate commerce. The 1961 Amendments extended coverage primarily to employees in large retail and service enterprises as well as to local transit, construction, and gasoline service station employees. The 1966 Amendments extended coverage to State and local government employees of hospitals, nursing homes, and schools, and to laundries, dry cleaners, and large hotels, motels, restaurants, and farms. Subsequent amendments extended coverage to the remaining Federal, State, and local government employees who were not protected in 1966, to certain workers in retail and service trades previously exempted, and to certain domestic workers in private household employment."

⁶ Section 4, Chapter 2, SLA 1962.

⁷ Section 1, Chapter 41, SLA 1974.

⁸ Sections 3 & 4, Chapter 12, SLA 1990.

Table 1: The Minimum Wage in Alaska and the Federal Minimum Wage

Year	Alaska	Federal
1959-1962	\$1.50	\$1.00
1963-1967	\$1.75	\$1.25
1968-1974	\$2.10	\$1.60
1975-1978	\$2.80	\$2.30
1979	\$3.40	\$2.90
1980	\$3.60	\$3.10
1981-1990	\$3.85	\$3.35
1991	\$4.30	\$3.80
1992-1996	\$4.75	\$4.25
1997	\$5.25	\$4.75
1998-2002	\$5.65	\$5.15
2003-2006	\$7.15	\$5.15
2007	\$7.15	\$5.85
2008	\$7.15	\$6.55

Notes: Minimum wages are per hour. The federal minimum wage provisions for covered, non-exempt employees are contained in the Fair Labor Standards Act (FLSA). The Fair Minimum Wage Act of 2007 included phased increases to the federal minimum wage. For work performed on or after July 24, 2009, the federal minimum wage will be \$7.25 per hour. <http://www.dol.gov/dol/topic/wages/minimumwage.htm>.

Source: U.S. Department of Labor.

I hope you find this information to be useful. Please do not hesitate to contact us if you have questions or need additional information.

8 Low-Income Households Come Closer to Average Runzheimer Plan of Living Cost Standards, February 2008

	Total Costs	Percent of Standard City	Taxation	Percent of Standard City	Trans- portation	Percent of Standard City	Housing	Percent of Standard City	Miscel- laneous Goods and Services	Percent of Standard City
Alaska Composite	\$39,417	123.2%	\$2,448	80.5%	\$4,749	113.6%	\$24,498	136.7%	\$7,722	112.6%
Anchorage	\$41,522	129.8%	\$2,448	80.5%	\$4,934	118.0%	\$26,471	147.7%	\$7,669	111.8%
Fairbanks	\$35,112	109.7%	\$2,448	80.5%	\$4,714	112.8%	\$20,351	113.6%	\$7,599	110.8%
Juneau	\$41,616	130.1%	\$2,448	80.5%	\$4,599	110.0%	\$26,672	148.9%	\$7,897	115.1%
West										
Bellingham, Wash.	\$35,414	110.7%	\$2,448	80.5%	\$4,514	108.0%	\$20,994	117.2%	\$7,458	108.7%
Bend, Ore.	\$38,237	119.5%	\$2,723	89.5%	\$4,205	100.6%	\$24,635	137.5%	\$6,674	97.3%
Honolulu	\$57,071	178.3%	\$2,448	80.5%	\$5,240	125.4%	\$40,689	227.1%	\$8,694	126.7%
Lancaster, Calif.	\$37,149	116.1%	\$2,448	80.5%	\$4,865	116.4%	\$21,686	121.0%	\$8,150	118.8%
Los Angeles	\$62,636	195.7%	\$2,448	80.5%	\$6,132	146.7%	\$45,824	255.7%	\$8,232	120.0%
Reno, Nev.	\$37,879	118.4%	\$2,448	80.5%	\$4,632	110.8%	\$23,380	130.5%	\$7,419	108.1%
Southwest/Mountain										
El Paso, Texas	\$29,894	93.4%	\$2,448	80.5%	\$4,377	104.7%	\$16,443	91.8%	\$6,626	96.6%
Fort Collins, Colo.	\$31,446	98.3%	\$2,736	89.9%	\$4,507	107.8%	\$17,645	98.5%	\$6,558	95.6%
Lake Havasu City, Ariz.	\$34,868	109.0%	\$2,610	85.8%	\$4,479	107.2%	\$20,867	115.3%	\$7,112	103.7%
Pinehurst, Idaho	\$27,367	85.5%	\$2,674	87.9%	\$4,182	100.0%	\$14,356	80.1%	\$6,155	89.7%
Salt Lake City	\$32,033	100.1%	\$2,808	92.3%	\$4,442	106.3%	\$18,294	102.1%	\$6,489	94.6%
Midwest										
Highland, Mich.	\$34,043	106.4%	\$2,448	80.5%	\$5,394	129.0%	\$19,118	106.7%	\$7,083	103.3%
Rapid City, S.D.	\$26,398	82.5%	\$2,448	80.5%	\$4,182	100.0%	\$13,607	75.9%	\$6,161	89.8%
Shawnee, Okla.	\$24,988	78.1%	\$3,181	104.6%	\$4,414	105.6%	\$10,960	61.2%	\$6,433	93.8%
Verndale, Minn.	\$30,176	94.3%	\$2,448	80.5%	\$4,605	110.2%	\$16,416	91.6%	\$6,707	97.8%
Southeast										
Augusta, Ga.	\$24,178	75.6%	\$3,033	99.7%	\$4,650	111.2%	\$10,175	58.8%	\$6,320	92.1%
Columbia, S.C.	\$26,042	81.4%	\$2,625	86.3%	\$4,280	102.4%	\$12,747	71.1%	\$6,390	93.1%
Cape Coral, Fla.	\$38,415	120.0%	\$2,448	80.5%	\$4,554	108.9%	\$24,508	136.8%	\$6,905	100.7%
Hessmer, La.	\$26,616	83.2%	\$3,036	99.8%	\$4,869	116.5%	\$12,057	67.3%	\$6,654	97.0%
Atlantic/New England										
Fairfax, Va.	\$44,941	140.4%	\$2,603	85.6%	\$4,645	111.1%	\$30,162	168.3%	\$7,531	109.8%
New York	\$55,946	174.8%	\$2,463	81.0%	\$5,441	130.2%	\$39,278	219.2%	\$8,764	127.8%
Egg Harbor City, N.J.	\$45,423	141.9%	\$2,743	90.2%	\$5,272	126.1%	\$30,547	170.5%	\$6,861	100.0%

Note: This exhibit shows how much more or less it would cost for a family of four to live in different cities while maintaining the same standard of living.
Source: Runzheimer International, Runzheimer's Living Cost Index, February 2008

show that it generally costs a little extra to live in Alaska – and in some cases more than just a little.

ACCRA index says Alaska cities cost more

Every quarter the ACCRA⁵ Cost of Living Index provides comparisons of living costs for about 300 urban areas in the United States. ACCRA's focus is on professional and managerial households with incomes in the top 20 percent for the area and is often used by companies trying to equalize pay for their employees in different locations.

⁵ The ACCRA Cost of Living Index was originally produced by the American Chamber of Commerce Researchers Association. It's now produced by The Council for Community and Economic Research, but the index's name hasn't been changed.

The data used in the ACCRA index are collected in each city by organizations that volunteer for the task. As a result, there is more room for error than in some surveys and ACCRA encourages users not to use the percentage differences produced by the index as exact measures.

The most recent ACCRA data include three Alaska cities – Anchorage, Fairbanks and Kodiak – and indicate that all three are at least 23 percent more expensive than the average city in the index. (See Exhibit 7.) Until recently, Juneau was regularly included in the index and was generally the most expensive of the Alaska cities studied.

The three Alaska cities are more expensive than average in every category – groceries, housing,

critics and those trying to understand what's behind changes to the overall CPI.

What's more, there's an especially wide range of dollar amounts that consumers spend on housing, making it more likely that a person's individual expenses will differ from the calculated average.

Some people have paid off their home loans and pay only property taxes and maintenance costs, neither of which are likely to change significantly with the vagaries of housing markets. Others spend very little on housing because they live with parents or other relatives. On the other end of the spectrum, new homeowners can pay large monthly mortgage payments and see increases far in excess of those represented by the CPI.

Where is inflation headed?

Whether inflation will stay low is impossible to predict with any certainty, but it appears unlikely. Most forecasts for U.S. inflation are generally higher, due to the current trends in both energy and food costs, and in three out of the first four months of 2008³ the national CPI has been up at least 4 percent over the year.

The higher national inflation has been driven largely by rising energy and food prices, increases Anchorage is unlikely to escape. Consultants for the Alaska Permanent Fund Corporation, which uses the CPI to make sure the principal of the Permanent Fund keeps up with inflation, have forecasted a 2.8 percent U.S. inflation rate for the next five years.⁴ Anchorage data for the first half of 2008 will be released in late July.

³ The national CPI is produced every month. Monthly CPI data are also available for the nation's four Census regions (Northeast, Midwest, South and West) and for three major metropolitan areas. Data for 11 metropolitan areas are published every other month. Anchorage is in a group of 13 smaller metropolitan areas for which data are published every six months.

⁴ The forecast comes from the investment consulting firm, Callan Associates.

Alaska Cities Generally More Expensive ACCRA¹ cost of living index, first quarter 2008



	All Items Index Costs	Grocery Items	Housing	Utilities	Transportation	Health Care	Miscellaneous Goods and Services
Anchorage	126.6	142.7	138.0	109.8	102.7	125.3	123.2
Fairbanks	133.3	125.7	149.1	170.6	108.2	139.8	117.9
Kodiak	123.4	148.5	116.3	144.7	115.3	128.8	115.8
West							
Portland, Ore.	119.9	108.2	138.9	101.3	109.4	105.5	117.9
Honolulu	165.3	164.0	249.1	138.5	117.1	109.8	120.5
San Francisco	173.6	131.4	292.7	96.6	114.5	118.6	131.1
Las Vegas	110.6	99.0	136.7	99.5	101.4	104.7	98.3
Southwest/Mountain							
Cedar City, Utah	91.7	95.6	89.6	82.4	96.0	88.6	93.8
Phoenix	101.6	103.8	101.0	94.7	98.7	99.0	104.7
Denver	105.1	104.7	111.4	103.4	92.8	104.0	104.2
Dallas	91.9	100.6	72.1	99.1	100.6	103.0	100.0
Midwest							
Minneapolis	109.3	124.4	117.7	105.4	96.8	104.2	101.8
Cleveland	95.1	100.5	84.5	101.0	101.7	104.0	97.7
Chicago	111.5	107.9	129.0	118.0	109.2	103.3	96.9
Southeast							
Orlando, Fla.	102.1	106.5	93.5	102.1	105.5	95.2	108.1
Mobile, Ala.	93.6	104.1	76.1	105.7	96.4	88.4	101.7
Atlanta	97.6	96.4	94.0	90.3	105.0	103.6	100.3
Atlantic/New England							
New York (Manhattan)	218.8	141.0	404.9	150.1	124.8	129.1	142.0
Boston	134.0	121.6	160.5	130.4	108.5	136.2	123.8
Philadelphia	122.6	126.5	140.6	118.5	105.2	108.6	113.3

Note: Index numbers represent a comparison to the average for all cities for which ACCRA volunteers collected data.

¹ The ACCRA Cost of Living Index was originally produced by the American Chamber of Commerce Researchers Association. It's now produced by The Council for Community and Economic Research. The focus of the index, which has been published since 1968, is on professional and managerial households with incomes in the top 20 percent for the area.

Source: ACCRA Cost of Living Index

The CPI can't be used for geographic comparisons

The CPI gives the most authoritative answer to how much prices are rising over time in a particular location, but it is not designed to say whether one location is more expensive than another. Index numbers for the U.S. CPI are higher than they are for Anchorage, but that only means that prices have increased more nationally than they have for Anchorage since the 1982-1984 base period (when the index was set at 100).

Studies and surveys designed to compare the cost of living in different locations continue to

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES
ADVISORY BOARD ON ALCOHOLISM AND DRUG ABUSE
and ALASKA MENTAL HEALTH BOARD

SARAH PALIN, GOVERNOR

P.O. BOX 110608
431 N. Franklin Street, Suite 200
JUNEAU, ALASKA 99811-0608
PHONE: (907) 465-8920
FAX: (907) 465-4410
TOLL FREE: (888) 464-8920

February 19, 2009

Senator Bill Wielechowski
Alaska State Capitol
Juneau, Alaska 99801

Re: SB 1 Raising Alaska's Minimum Wage

Dear Representative Wielechowski,

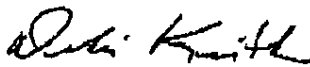
The Advisory Board on Alcoholism and Drug Abuse and Alaska Mental Health Board appreciate your recognition of the need for an increase to Alaska's minimum wage. While the proposed increase to minimum wage does not alleviate all the problems faced by Alaska's working poor, it would help low-wage workers better provide for their families. Many of these low-wage workers are people experiencing mental illness or in recovery from mental illness or addiction, so we support moving minimum wage closer to a meaningful wage.

Despite arguments that raising minimum wage endangers small businesses and the jobs they provide — or that minimum wage is only paid to entry-level positions from which workers quickly graduate to a higher wage — research by the Economic Policy Institute shows “no significant job loss associated with the 1996-1997 [federal] minimum wage increase.” Instead, low-wage labor markets performed better after the minimum wage was increased.

Of low-wage workers, women and minority workers benefit most from an increase in minimum wage. Among low-income families with children, low-wage workers contribute over half of the family income — which means that raising the minimum wage will benefit the more than 19,000 Alaskan children living in poverty.

It is not just teenagers working for spending money who hold minimum wage jobs in Alaska. Parents, seniors trying to supplement their limited income, individuals experiencing disabilities, and students putting themselves through school are all represented in the low-wage labor market. Their work is a valuable part of our economy, and should be recognized as such. Thank you for your work, and please let us know if the Alaska Mental Health Board and Advisory Board on Alcoholism and Drug Abuse can assist in the effort to pass this important legislation.

Sincerely,



Debi Keith, Chair
AMHB



Lonnie Walters, Chair
ABADA

Protect the Economic Security of Thousands of Alaska's Tipped Workers

February 13, 2009

Thousands of hard-working waiters and waitresses are counting on Alaska lawmakers to protect their economic security in the current minimum wage debate. Tipped workers like the waitress at your local diner are already struggling to get by, and a disproportionate number live in poverty. And this hard-working group of workers (overwhelmingly women) is currently seeing its pay drop as economically squeezed customers leave smaller tips. Moreover, economic studies show that, contrary to the restaurant industry's claims, guaranteeing a strong minimum wage for tipped workers is simply not a major factor, one way or the other, in the economic health of the industries that employ these workers.

1. More than 5,900 working Alaskans already struggle to get by on the minimum wage and tips.

- Alaska has thousands of tipped workers – including at least 4,200 waiters and waitresses and 1,700 bartenders alone, according to the U.S. Bureau of Labor Statistics (BLS).¹ These workers represent nearly 2% of the state's workforce – more than the number of the state's elementary and middle school teachers combined.² And the total number of Alaskans who rely on tips to get by is likely higher, since this number does not include tipped workers in other occupations.
- But the BLS employer survey reports that as of 2007 Alaska's waiters and waitresses earned just \$9.67 an hour even after tips – about \$2.50 more than the minimum wage at the time, but less than half of the average hourly wage in the state (\$22.00).³
- Over the course of a year, the average waiter or waitress earns \$20,114 – just below the federal poverty line for a family of three in Alaska.⁴ In reality, even a single adult Alaskan can have trouble making ends meet on less than \$10 per hour, and more realistic calculations find that a one-parent, one-child family needs to earn closer to \$38,000 annually (about \$18.28 per hour) to get by in Anchorage – and closer to \$44,000 in rural Alaska.⁵

2. Tipped workers need a strong minimum wage because they can't count on tips.

- Tips are notoriously erratic – varying based on broader economic trends, and from season-to-season or even shift-to-shift. This is especially true now, as national reports show that economically struggling customers are leaving smaller tips.
- Workers who rely on tips are open to sudden pay drops that prevent them from paying their bills and caring for their families.
- States that, unlike Alaska, allow employers to pay tipped workers less than the minimum wage under complicated “tip credit” systems have found that they are vulnerable to abuse that results in many tipped workers being paid very low wages and not receiving all of their tips.
- Rejecting this approach, Alaska has followed the approach of other western states including California, Minnesota, Montana, Nevada, Oregon, and Washington by requiring employers to pay tipped workers the full minimum wage in order to ensure workers like the waitress at the local diner receive a dependable base income that cushions them against economic hardship.

3. **Across the country, tipped workers are overwhelmingly working women, and a disproportionate share live in poverty.**

- NELP's analysis of the Current Population Survey shows that 62% of tipped workers overall and 72% of waiters and waitresses are women. More than two-thirds of tipped workers are adults 21 and older, and 86% of waiters and waitresses are over 19.
- Tipped workers like waiters and waitresses face triple the poverty rate of the workforce as a whole, with one in seven living in poverty (14.9%).

4. **Studies of states and cities that have high tipped worker minimum wages consistently show that the tipped worker minimum wage – like the minimum wage in general – is simply not a major factor, one way or the other, in the economic health of the industries that employ these workers.**

- For example, a 2006 study the Fiscal Policy Institute found that the 10 states that had raised their minimum wages (and tipped worker minimum wages) between 1998 and 2003 had *faster* job growth in their small businesses than the 40 other states.⁶
- In a 2006 study, Dartmouth economist Paul Wolfson found no evidence of job loss in the restaurant industries of 17 states and the District of Columbia that had raised their minimum wages and tipped worker minimum wages (the latter in 16 of those 18 jurisdictions).⁷
- A University of California study of San Francisco's restaurant industry found no restaurant closures, job loss, or substantial price increases after the city raised the minimum wage for all workers – including tipped workers – by \$1.75 an hour in 2004.⁸
- Even the National Restaurant Association's own analysis of industry trends projects that Alaska will be one of the top five states in terms of restaurant job growth over the next decade —joining Nevada, another state that requires tipped workers be paid the full minimum wage (\$6.85).⁹

For more information, please contact Raj Nayak at 312-399-9904 (cell) or RNAYAK@NELP.ORG.

¹ See Bureau of Labor Statistics, May 2007 Occupational Employment and Wage Estimates Alaska (2007), http://www.bls.gov/oes/2007/may/oes_ak.htm.

² According to the BLS, Alaska has 4,840 elementary and middle school teachers combined, not including special education and vocational education teachers. *Id.*

³ *Id.*

⁴ *Id.*; United States Department of Health and Human Services, 2008 Federal Poverty Guidelines, <http://aspe.hhs.gov/poverty/08Poverty.shtml> (\$22,000 for a family of three in Alaska).

⁵ See Economic Policy Institute, Basic Family Budget Calculator, http://www.epi.org/content/budget_calculator/?family_type=1P1C&state=AK&area_name=Anchorage%2C+AK+HUD+Metro+FM R+Area (Anchorage); http://www.epi.org/content/budget_calculator/?family_type=1P1C&state=AK&area_name=Rural (rural Alaska). Economists have created this measure based on realistic basic family budgets tailored to a variety of metropolitan statistical areas around the country. See Sylvia Allegretto, Basic Family Budgets (2005), <http://www.epi.org/publications/entry/bp165/>.

⁶ Fiscal Policy Institute, States with Minimum Wages Above the Federal Level Have Had Faster Small Business and Retail Job Growth (Mar. 30, 2006), <http://fiscalpolicy.org/FPISmallBusinessMinWage.pdf>.

⁷ Paul Wolfson, State Minimum Wage: A Policy That Works (2006), <http://www.epi.org/content.cfm/bp176>.

⁸ Arindrajit Dube, et al, The Economic Impact of a Citywide Minimum Wage (3d Rev. 2007), <http://repositories.cdlib.org/iir/iirwps/iirwps-111-05>.

⁹ National Restaurant Association, "Restaurant Industry in All 50 States to Grow Sales, Add Jobs in 2008 and Beyond," Dec. 12, 2007, at <http://www.restaurant.org/pressroom/pressrelease.cfm?ID=1536>. See also Press Release, *Darden Sees Little Impact from Minimum Wage Hike*, Dec. 20, 2006 (on file with NELP).



April 15, 2009

Alaska State Legislature
House Finance Committee
State Capitol
Juneau, Alaska 99801

To House Finance Committee Members:

Please accept this letter as written support for Senate Bill 1 by the Alaska Public Interest Research Group (AKPIRG). We believe that maintaining a wage for workers in Alaska above the federal standard is essential for families struggling to make ends meet.

For more than 35 years, AKPIRG has provided research and advocacy on behalf of thousands of members across the state and the general public. We are non-partisan, non-profit 501(c) 3 organization dedicating to serving the public interest.

Alaskans deal with some of the highest living costs in the nation, yet without making substantial changes to our minimum wage laws, working families will be tied to the federal minimum standard used in states with much lower costs of living. Around the country states have moved forward with their own standards for a minimum wage, including some of Alaska's closest neighbors in Washington and Oregon, whose minimum wages are \$8.55 and \$8.40 respectively.

Economic studies show that higher wages lead to greater productivity, lower recruiting and training costs, decreased absenteeism, and increased worker morale.

In recent years all Alaskans have seen prices of essential items like food, gasoline and energy skyrocket with many receiving no increase in their wages. Alaska is overdue for a new standard that will serve its lowest wage workers around the state.

AKPIRG supports SB 1, Raising the Minimum Wage, and urges committee members to support it.

Sincerely,

A handwritten signature in black ink that reads "Gabe".

Gabe Aceves
Executive Director
AKPIRG
907.278.3661
www.akpirg.org