

ALASKA LEGISLATURE COMMITTEE FILES 2001-2002 8672

10317 HOUSE LABOR & COMMERCE

162

**HB**

**56**

# Alaska State Legislature

## House of Representatives

COMMITTEES  
JUDICIARY COMMITTEE, CHAIR  
RULES  
MILITARY & VETERANS AFFAIRS  
UTILITY RESTRUCTURING  
ETHICS



INTERIM:  
10928 EAGLE RIVER RD., SUITE 141  
EAGLE RIVER, AK 99577

SESSION:  
ALASKA STATE CAPITOL  
JUNEAU, AK 99801

### Sponsor Statement

#### HB 56

HB 56 does two things. It increases the minimum wage from \$5.65 an hour to \$6.40 an hour the first year and increases it the second year to \$6.90 an hour.

The minimum wages in Alaska currently lag behind other West Coast states (California, Oregon, Washington), though the cost of living in Alaska is equal to or higher than those states. The last minimum wage increase in Alaska, which was actually tied to the federal rate, was in Oct 1997.

Although there are no hard recent statistics on how many Alaskans are working at minimum wage, the Occupational survey for the fourth quarter of 1998 indicated that 14,500 Alaskans were earning between \$5.65 and \$6.50 per hour.

With the increase in inflation the past few years it's time for wage adjustments for the working poor. This legislation provides these people the opportunity to enter into a better quality of life.

I urge your support.



### Representative Pete Kott

JUNEAU OFFICE (907) 465-3777 TOLL FREE 1-800-861-KOTT (5688) FAX (907) 465-2819  
EAGLE RIVER OFFICE (907) 694-8944 FAX (907) 694-8945 E-MAIL: representative\_pete\_kott@legis.state.ak.us



## Sectional Summary

### HB 56

This sectional summary should not be considered an authoritative interpretation of the bill, with the bill itself the best statement of its contents.

This bill addresses the current minimum wage rate, and two increases with effective dates.

**Section 1:** Increases minimum wage for hours worked in a pay period.

**Section 2:** Adds a new section concerning applicability and transition. This section addresses effective dates of AS 23.10.065 (a). It also addresses the effective dates for the present minimum wage rate and effective dates for the first and second minimum wage rate increase.

22-LS0342\F  
Craver  
1/18/02

CS FOR HOUSE BILL NO. 56( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES KOTT, Harris, Mulder

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to minimum wages; and providing for an effective date."

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

3 \* Section 1. The uncodified law of the State of Alaska is amended by adding a new section  
4 to read:

5 FINDINGS. The legislature finds that

6 (1) an increase in the state minimum wage will help ensure a minimum  
7 standard of living for the health and well-being of every Alaskan;

8 (2) employees working full-time at the minimum wage earn far less than the  
9 federal poverty level for a family of three;

10 (3) the west coast states of Washington, Oregon, and California already have a  
11 higher minimum wage than the minimum wage in Alaska;

12 (4) a fair minimum wage indexed to the cost-of-living will help low-income  
13 workers keep pace with inflation.

14 \* Sec. 2. AS 23.10.065(a) is amended to read:

15 (a) Except as provided under (b) of this section, for work performed on or

1 after the effective date of this Act, an employer shall pay to each employee wages at  
 2 a rate of not less than \$7.15 [50 CENTS] an hour [GREATER THAN THE  
 3 PREVAILING FEDERAL MINIMUM WAGE LAW] for hours worked in a pay  
 4 period, whether the work is measured by time, piece, commission, or otherwise. An  
 5 employer may not apply tips or gratuities bestowed upon employees as a credit toward  
 6 payment of the minimum hourly wage required by this section. Tip credit as defined  
 7 by the Fair Labor Standards Act of 1938 as amended does not apply to the minimum  
 8 wage established by this section. The department shall, by regulation, not later  
 9 than September 30 of each calendar year, adjust the minimum wage for inflation,  
 10 effective for the following calendar year. The minimum wage shall be either the  
 11 most recent wage adjusted for 50 percent of the rate of inflation based on the  
 12 Consumer Price Index for all urban consumers for Anchorage, Alaska, prepared  
 13 by the United States Bureau of Labor Statistics or \$1.00 more than the federal  
 14 minimum wage, whichever is greater. The department shall round the adjusted  
 15 minimum wage up to the nearest one cent. The adjusted wage shall apply to  
 16 work performed beginning on January 1 through December 31 of the year for  
 17 which it is effective.

18 \* Sec. 3. This Act takes effect January 1, 2003.

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE CRAWFORD

TO: CSHB 56( ), Draft Version "F"

- 1 Page 2, line 11:
- 2 Delete "50"
- 3 Insert "100"



# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CS HB56 (L&C)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): 2/6/02 Dept. Affected: Health & Social Services  
Title: RELATING TO THE MINIMUM WAGE BRU: Public Assistance  
Component: ATAP

Sponsor: KOTT  
Requestor: HOUSE (L&C) Component Number: 220

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	(201.9)	(420.0)	(456.3)	(492.6)	(529.0)	(565.3)
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>(201.9)</b>	<b>(420.0)</b>	<b>(456.3)</b>	<b>(492.6)</b>	<b>(529.0)</b>	<b>(565.3)</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( 0 )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	(201.9)	(420.0)	(456.3)	(492.6)	(529.0)	(565.3)
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--do not abbreviate)						
<b>TOTAL</b>	<b>(201.9)</b>	<b>(420.0)</b>	<b>(456.3)</b>	<b>(492.6)</b>	<b>(529.0)</b>	<b>(565.3)</b>

Estimate of any current year (FY2002) cost: \_\_\_\_\_

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

Approximately 670 adults currently receiving Temporary Assistance have jobs paying between \$5.65/hr. and \$7.15/hr. An increase in the minimum wage will result in an increase in the households' countable earned income. This increase will result in a reduction in monthly Alaska Temporary Assistance Program (ATAP) benefits paid to the family and will generate savings in the benefit line of the ATAP component. A general fund savings would not be realized because federal law requires the State to contribute a fixed amount of state funds toward the program (maintenance of effort) or be subject to penalty resulting in loss of TANF funds. The Temporary Assistance program is currently budgeted at the minimum maintenance of effort. Any further reduction will subject the State to a block grant penalty. Federal savings would be realized as an increase in the available TANF block grant balance that can be reinvested into work services. Congress is due to reauthorize the program for FFY 2003. Availability

Prepared by: Jim Nordlund Phone 465-5835  
Division: Public Assistance Date/Time 2/6/2002 1:28 pm  
Approved by: Elmer A. Lindstrom, Deputy Commissioner Date \_\_\_\_\_  
Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. CS HB56 (L&C)

ANALYSIS CONTINUATION

of excess federal dollars for the future cannot be guaranteed.

Assumptions:

On average, ATAP recipients who earn between \$5.65/hr and \$7.15/hr work 120 hours per month.

Currently, the average wage for ATAP recipients who earn between \$5.65/hr and \$7.15/hr is \$6.43/hr. The average monthly ATAP grant for these recipients is \$561.

Effective January 1, 2003, 673 ATAP recipients will receive an earnings increase to \$7.15/hr. The monthly grant for these recipients is \$511, a \$50 decrease

Assume the new minimum wage will increase by .8 percent/year beginning January 1, 2004.

Effective January 1, 2004, 673 ATAP recipients will receive an earning increase from 7.15/hr to \$7.21/hr. The monthly grant for these recipients is 507, a \$54 decrease.

Effective January 1, 2005, 673 ATAP recipients will receive an earnings increase from \$7.21/hr to \$7.28/hr. The monthly grant for these recipients is \$502, a \$59 decrease.

Effective January 1, 2006, 673 ATAP recipients will receive an earnings increase from \$7.28/hr to \$7.34/hr. The monthly grant for these recipients is \$498, a \$63 decrease.

Effective January 1, 2007, 673 ATAP recipients will receive an earnings increase from \$7.34/hr to \$7.40/hr. The monthly grant for these recipients is \$493, a \$68 decrease.

Effective January 1, 2008, 673 ATAP recipients will receive an earnings increase from \$7.40/hr to \$7.46/hr. The monthly grant for these recipients is \$489, a \$72 decrease.

Calculations

FY2003 \$50 x 6 months x 673 recipients = \$201,900

FY2004 \$50 x 6 months x 673 recipients = \$201,900

\$54 x 6 months x 673 recipients = \$218,052

\$419,952

FY2005 \$54 x 6 months x 673 recipients = \$218,052

\$59 x 6 months x 673 recipients = \$238,242

\$456,294

FY 2006 \$59 x 6 months x 673 recipients = \$238,242

\$63 x 6 months x 673 recipients = \$254,394

\$492,636

FY 2007 \$63 x 6 months x 673 recipients = \$254,394

\$68 x 6 months x 673 recipients = \$274,584

\$528,978

FY2008 \$68 x 6 months x 673 recipients = \$274,584

\$72 x 6 months x 673 recipients = \$290,736

\$565,320

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: CSHB56(L&C)  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): ( ) \_\_\_\_\_ Dept. Affected: All  
 Title Increase Mimimum Wage BRU All  
 Component All  
 Sponsor Representative Kott  
 Requester (H) Labor & Commerce Component No. 56

**Expenditures/Revenues (Thousands of Dollars)**

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

The lowest paid state employees receive \$7.50 per hour; therefore, an increase in the minimum wage to \$7.15 will have no fiscal impact on state agencies.

Assuming a 2% CPIU-Anchorage annually, the increase in minimum wage would be 1% per year. The minimum wage remains below the \$7.50 state employee wage minimum until FY 2009 when the minimum wage become \$7.51.

Prepared by: David Stewart Phone 465-4431  
 Division: Division of Personnel Date/Time 2/5/02 3:02 PM  
 Approved by: Jim Duncan, Commissioner Date 2/5/2002  
 Agency: Department of Administration

# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 56  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Health & Social Services  
 Title: An Act Relating to minimum wage BRU: Public Assistance  
 Component: ATAP  
 Sponsor: Kott  
 Requester: House (L&C) Component Number: 220

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	(66.6)	(254.7)	(376.2)	(376.2)	(376.2)	(376.2)
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>(66.6)</b>	<b>(254.7)</b>	<b>(376.2)</b>	<b>(376.2)</b>	<b>(376.2)</b>	<b>(376.2)</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	(66.6)	(254.7)	(376.2)	(376.2)	(376.2)	(376.2)
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>(66.6)</b>	<b>(254.7)</b>	<b>(376.2)</b>	<b>(376.2)</b>	<b>(376.2)</b>	<b>(376.2)</b>

Estimate of any current year (FY2001) cost: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

Approximately 300 adults currently receiving Temporary Assistance have jobs paying the minimum wage. An increase in the minimum wage will result in an increase in the households' countable earned income. This increase will result in a reduction in monthly Alaska Temporary Assistance Program (ATAP) benefits paid to the family and will generate savings in the benefit line of the ATAP component.

A general fund savings would not be realized because federal law requires the State to contribute a fixed amount of state funds toward the program, called maintenance of effort, or be subject to penalty resulting in loss of TANF funds. The Temporary Assistance program is currently budgeted at the minimum maintenance of effort. Any further reduction will subject the State to a block grant penalty. The federal savings would show as an increase in the available TANF block grant balance which can be used for future funding of ATAP and for reinvestments into child care and work services which will help more clients secure employment and stay employed, further reducing the ATAP caseload. Congress is due to reauthorize the program for federal fiscal year 2003. Availability of excess federal dollars for the future cannot be guaranteed.

Prepared by: Jim Nordlund Phone 465-2680  
 Division: Director of Public Assistance Date/Time 1/24/01 2:57 PM  
 Approved by: Elmer A. Lindstrom, Special Assistant Date 1/24/01 2:57 PM  
 Agency: Department of Health & Social Services

For distribution information, call the Governor's Legislative Office

## ANALYSIS: (continued)

## Assumptions:

On average, minimum wage ATAP recipients work 120 hours/month.

Currently, the average wage for ATAP recipients earning between \$5.65 and \$6.40 is \$5.87/hour. The average monthly ATAP grant for these recipients is \$593.

Effective January 1, 2002, 292 Temporary Assistance recipients will receive an earnings increase from \$5.85/hour to \$6.40/hour. The average monthly ATAP grant for these recipients is \$555, a \$38 decrease.

Effective January 1, 2003, 418 ATAP recipients will receive an earnings increase from \$6.40/hour to \$6.90/hour. The average monthly ATAP grant for these recipients is \$518, a \$75 decrease.

## Calculations:

FY02	\$38/month x 6 months x 292 recipients =	\$ 66,576
FY03	\$38/month x 6 months x 292 recipients =	66,576
	\$75/month x 6 months x 418 recipients =	188,100
	Total =	\$ 254,676
FY04-FY07	475/month x 12 months x 418 recipients =	\$ 376,200

# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 56  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: All  
 Title: Minimum Wage Increase BRU: All  
 Component: All  
 Sponsor: Representative Kott  
 Requester: (H) L&C Component Number: All

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2001) cost: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

There are no classified, partially exempt or exempt, judicial or legislative positions that have assigned wage rates below the proposed wage rates. This fiscal note should be revisited in the event that the Alaska minimum wage rate rises above \$7.50 per hour.

Sec. 2 of HB 56 contains language that ties school bus driver wages to minimum wage. Since these positions are contracted through school districts, there may be a fiscal impact on funds appropriated to the Department of Education and Early Development for support of pupil transportation.

Prepared by: Dave Stewart Phone 464-4431  
 Division: Personnel Date/Time 01/26/01 4PM  
 Approved by: Jim Duncan, Commissioner Date 1/26/01  
 Agency: Department of Administration

For distribution information, call the Governor's Legislative Office

**ALASKA STATE CHAMBER OF COMMERCE**  
**Survey on Minimum Wage Increase**

The following survey was faxed to approximately 600 Alaska businesses the first week of February 2000. The nearly 100 responses received by February 15 are summarized below.

1. Should the state legislature raise the minimum wage to \$6.40 next year and \$6.90 in 2003?  
 (Representative Kott's proposal)

35% Yes                      32% No                      28% Undecided

2. Should the state's minimum wage be increased to \$6.40 this year; to \$7.15 next year and be indexed to inflation thereafter? (Governor's proposal)

21% Yes                      49% No                      28% Undecided

3. Are you currently paying any of your employees the state minimum wage of \$5.65 per hour?

a. Full-time workers            5% Yes                      92% No

b. Part-time workers            5% Yes                      92% No

4. What impact would a raise in the minimum wage have on your business? (Select all that apply)  
 (Percentage of total respondents choosing these items.)

Would increase pay for non-minimum wage employees	15%
Would increase prices for products/services	18%
Would reduce non-wage benefits of employees	9%
Would reduce hours and/or jobs for part-time employees	14%
Would reduce hours and/or jobs for full-time employees	12%
Would have little or no impact on my business	77%

5. What is the age bracket of most of your minimum wage employees?

15 to 18 years old	14%
19 to 22	1.5%
23 to 35	9%
36 to 60	1.5%
Over 60	0%
Not applicable	77%

6. Of your minimum wage employees, about how many are the heads of a household  
 (Principal wage earner for a family)?

None or almost none	14%
One-fourth	1.5%
One-half	0%
Three-quarters	0%
All or almost all	0%
Not applicable	81.5%

## Alaska State Chamber Minimum Wage Survey - Page 2

## 7. What is the lowest hourly wage you pay starting employees?

\$5.65	6%
\$6.00 to \$6.50	8%
\$6.51 to \$7.00	2%
\$7.01 to \$7.50	6%
\$7.51 to \$8.00	9%
\$8.01 or more	69%

## 8. Please circle the category below which best describes your business:

a. Resource (oil & gas, mining, timber, fish harvest, agriculture, etc.)	10%
b. Manufacturing (seafood processing, forest products, petrochemical, technology/software, etc.)	7.5%
c. Construction	7.5%
d. Transportation	6%
e. Communications/Telecommunications	6%
f. Utilities	0%
g. Retail Trade	3%
h. Wholesale Trade	10.5%
i. Finance, Insurance, Real Estate	12%
j. Restaurant	1%
k. Fast food service	1%
l. Visitor-related services	7.5%
m. Business services	4%
n. Professional services (Includes health care)	13.5%
o. Non-profit trade or business organization	7.5%
p. Other	3%

## 9. How many employees do you have?

1 to 5	<u>15%</u>	16 to 25	<u>17%</u>	50 to 100	<u>14%</u>	250 and up	<u>14%</u>
6 to 15	<u>21.5%</u>	25 to 50	<u>4.5%</u>	101 to 250	<u>14%</u>		



ALASKA

**National Federation of Independent Business**

**Statement of Opposition**

**of HB 56**

**Minimum Wage Increase**

**January 29, 2001**

The Alaska Chapter of the National Federation of Independent Business has 2,500 members, making it the largest small-business advocacy group in the state. The legislative agenda of NFIB is determined by ballot. The ballot is our poll of members on a series of state legislative and regulatory issues.

NFIB/Alaska special ballot results on minimum wage indicate a majority of members in opposition to an increase in the minimum wage and strong opposition to an increase that is indexed to inflation. Most Alaska employers start their new employees higher than the current minimum wage. However, when the minimum wage is used, it is generally paid to entry-level employees to allow students and other new entrants to the workforce a way to learn job skills. It is also often used in jobs that provide other forms of compensation such as tips. Several NFIB members also pointed out that they utilize the minimum wage to participate in social service programs to hire special needs personnel. Members also indicated that they primarily use minimum wage for seasonal employees.

Businesses that have minimum wage employees will likely increase prices or make reductions elsewhere such as reducing benefits, number of employees or number of hours worked. An increase in the minimum wage also has a trickle up affect on other wages paid.

The result of the NFIB/Alaska fax poll on minimum wage is attached to this statement.

Submitted by Thyges Shaub on behalf of NFIB/Alaska.



ALASKA

**NFIB/Alaska FAX Poll Results on Minimum Wage  
January 24, 2001**

The following questions were faxed to 1100 National Federation of Independent Business members participating in the Alaska fax network. The 200 responses received by January 27<sup>th</sup> are summarized below.

1. Should the state legislature raise the minimum wage to \$6.40 next year and \$6.90 in 2003?

33% Yes      55% No      12% Undecided

2. Should the state's minimum wage be increased to \$6.40 this year, \$7.15 next year and indexed to inflation thereafter?

20% Yes      68% No      12% Undecided

3. Are you currently paying any of your employees that state minimum wage of \$5.65 per hour?

a. Full-time workers      5% Yes      95% No

b. Part-time workers      11% Yes      89% No

4. What impact would a raise in the minimum wage have on your business?  
(Select all that apply)

Would increase pay for non-minimum wage employees	17 ½%
Would increase prices for products/services	31 ½%
Would reduce non-wage benefits of employees	13 %
Would reduce hours and/or jobs for part-time employees	22 ½%
Would reduce hours and/or jobs for full-time employees	11 ½%
Would have little or no impact on my business	61 ½%

5. What is the age bracket of most of your minimum wage employees?

15 to 18 years old	19%
19 to 22	9%
23 to 35	6%
36 to 60	4%
Over 60	0%
Not applicable	62%

6. Of your minimum wage employees, about how many are the heads of a household (principal wage earner for a family)

None or almost none	31%
One fourth	1%
One half	1/2%
Three quarters	1/2%
All or almost all	1/2%
Not applicable	66.5%

7. What is the lowest hourly wage you pay starting employees?

\$5.65	11 %
\$6.00 to \$6.50	16%
\$6.51 to \$7.00	9%
\$7.01 to \$7.50	10%
\$7.51 to \$8.00	8%
\$8.01 or more	46%

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## OVERVIEW/HISTORY

# Tip Credit

### What is the tip credit?

When Congress brought certain employees of the restaurant industry under the Fair Labor Standards Act (FLSA) in 1967, it recognized that restaurant employees often receive a substantial amount of their income in tips. Congress created what is known as the tip credit, which allows an employer to apply part of the employee's tips against the employer's obligation to pay the minimum wage.

Safeguards in the law ensure tipped employees earn at least the minimum wage. To protect tipped employees, the law provides that a tip credit can't reduce an employee's wages below the required minimum wage. In other words, a tip credit can never exceed tips actually received by an employee. Also, Congress requires employers to pay tipped employees a cash wage of at least \$2.13 per hour; in no case can tips be counted toward the *entire* minimum wage. Finally, the credit must be clearly shown on payroll records, and it can't be used at all unless its application is first explained to the employee.

### Why did Congress create a bigger tip credit in 1996?

Prior to August 20, 1996, federal law allowed employees to take a "tip credit" equal to 50 percent of the federal minimum wage. In its 1996 minimum wage bill, Congress stabilized the cash wage required for tipped employees at \$2.13 an hour under federal law, on the date of enactment. This effectively increased the amount of tips that can be used as a "tip credit" (the difference between the current federal minimum wage and the stabilized federal cash wage of \$2.13 an hour) toward an employer's minimum wage obligation, when the first scheduled increase to \$4.75 an hour occurred on October 1, 1996. Congress did so for several reasons:

- ★ Employers should be given greater "credit" for their part in providing an environment conducive to tipping. Employers contribute significantly to the production of tip income. Tips are earned on the premises of the employer, using the employer's equipment and serving food bought and prepared under the employer's supervision. The employer attracts the customer, determines the general atmosphere, price of meals and the quality and presentation of food—factors that contribute directly to the level of tip income received by employees.



## OVERVIEW/HISTORY

page 2

# Tip Credit

★ Minimum wage increases are intended to help minimum wage workers. Tipped employees seemingly may be "minimum wage" workers, but in reality their total compensation far exceeds the minimum wage. Surveys have shown that tipped employees earn between \$7 - \$8 an hour in tips. There is no reason to include a group of employees making \$7 - \$8 an hour in a minimum wage discussion.

### Do state laws on tip credit differ from the federal?

Generally, the FLSA covers employees in enterprises with annual sales of \$500,000 or more and any employee who works in interstate commerce regardless of the level of his or her employer's annual sales. If either of the above criteria is met, the employer is required to pay the federal minimum wage and at least the federal cash wage to that employee, *unless the state minimum wage or state cash wage is higher.*

As of September 1, 1997, six states do not permit employers to take a tip credit. (Prior to September 1, 1997, Washington state had allowed no tip credit either. However, on that date the federal minimum wage rose to \$5.15 while the state minimum wage remained at \$4.90. State officials have agreed to enforce a cash wage of \$4.90 for tipped employees, thus providing a tip credit for tipped employees covered by the FLSA for the first time in years.) Twenty one other states require employers to pay tipped employees a cash wage higher than the federal cash wage of \$2.13 an hour.

### States with a cash wage for tipped employees higher than \$2.13 as of September 1, 1997.

*Alaska	Maine	North Dakota
**Arkansas	Maryland	*Oregon
*California	Massachusetts	Pennsylvania
Connecticut	Michigan	Rhode Island
Delaware	*Minnesota	Vermont
District of Columbia	***Missouri	Washington
Hawaii	*Montana	West Virginia
Idaho	*Nevada	Wisconsin
Illinois	New Hampshire	
Iowa	New York	

\*States without a tip credit as of September 1, 1997.

\*\*Excludes from state law those employers subject to the provisions of the FLSA.

\*\*\*Excludes from state law employees who receive a minimum wage pursuant to the FLSA.

Please note these lists are subject to frequent changes.



## TALKING POINTS

# Tip Credit

### ★ What is a tip credit?

The federal Fair Labor Standards Act permits employers to apply a "tip credit" toward the minimum wage they pay their tipped employees. The tip credit is computed as the difference between the minimum wage required by law and the cash wage paid by employers to tipped employees.

### ★ What would stabilizing the cash wage do?

Starting August 20, 1996, Congress stabilized the federal cash wage for tipped employees at \$2.13 per hour. The (insert state) Restaurant Association is proposing that the state stabilize its cash wage at the current level of \$\_\_\_\_ per hour. Tips received by these employees would be credited toward the difference between the minimum wage requirement and the stabilized cash wage, as long as the amount in tips actually received by the employees meets or exceeds the credit.

### ★ Why should the cash wage be stabilized?

In 1996 the U.S. Congress recognized that tipped employees make far more than the federal minimum wage and stabilized the federal cash wage for tipped employees at the level they were required to be paid on the date the new law was enacted (\$2.13 an hour). The (insert state) Restaurant Association is asking that a similar concept be applied in this state—namely, that the state's required cash wage for tipped employees be stabilized at \$\_\_\_\_, already \_\_\_\_ cents above the federal cash wage for tipped employees.

### ★ Why should tips count as wages?

As long as tipped employees receive at least \$20 a month in tips, federal tax law recognizes tips as wages through the requirement that employees pay income and FICA taxes on tips, and employers pay unemployment and FICA payroll taxes on all tips earned.

While federal labor law is not entirely the same with respect to treating all tips as wages for purposes of an employer taking a full credit towards its minimum wage obligation, Congress does allow a partial credit.

### ★ What do tipped employees really earn?

Surveys show that hourly tipped employees make between \$7 - \$8 an hour. There is no reason the government should concern itself with employees who are earning several dollars an hour more than the minimum wage.





## OPPONENTS' ARGUMENTS

# Tip Credit

- ★ Opponents will argue tipped employees need a raise too.

**Answer:** Tipped employees earn most of their income in tips, which are based on a percentage of the check. This year, menu prices are rising at a rate of 3.1 percent, while inflation is rising at a rate of 2.7 percent. As restaurateurs increase prices (which many do) then tips go up as a percentage of the menu prices.

- ★ Opponents will argue employers have the funds to pay tipped employees higher wages.

**Answer:** Every time the minimum wage increases, employers are faced with only a few options to offset the cost. In the restaurant industry, profit margins average 3-5 percent, which doesn't leave room to absorb a minimum wage increase for tipped employees and non-tipped minimum wage employees.

Since profits are slim, another option is to reduce the number of employees or their hours worked. But this won't do anything to raise the pay of a tipped employee, it actually negates the increase.

- ★ Opponents will argue no one should work for less than minimum wage.

**Answer:** By law, tipped employees never receive less than the minimum wage. If for some reason tips don't bring the employee's hourly compensation up to the minimum wage, the employer must by law make up the difference. Therefore, the employee is always guaranteed the minimum wage regardless of the amount of tips received.

However, tipped employees are actually earning much more than minimum wage when you consider their income from tips. Surveys have shown that tipped employees earn between \$7 - \$8 an hour in tips. The minimum wage law is not intended to protect those making \$7 - \$8 an hour or more.



Promoting Excellence in Hospitality since 1921

# UNDERSTANDING THE TIP CREDIT

## SB 1 HB 4177

For further information contact:

**Rob Gifford**  
MRA Executive Director

**Harry Klingeman**  
MRA Assistant Executive Director

## WHAT IS A TIP CREDIT?

Both federal and Michigan labor and tax laws recognize that tipped employees receive earnings from two sources; payroll wages paid by employers and tip earnings. It is in tips. Thus, Michigan and federal laws allow an employer to apply a portion of tips earnings as a "tip credit" against the employer's obligation to pay the minimum wage. It is important to note that according to industry data, tipped restaurant employees average \$8.00 per hour.

Michigan's minimum wage act gave a Wage Deviation Board the power to grant a tip credit that cannot exceed 25 % of the state's minimum wage. Last spring those powers were transferred to the Director of the Department of Consumer and Industry Services.

With a current minimum wage of \$3.35, employers can deduct the 25 % allowable tip credit of \$0.83 and pay tipped employees a minimum payroll wage of \$2.52. SB 1 freezes the tip rate at \$2.52. HB 4177 increases the rate to \$3.87. This will have a \$150 million annual impact on the restaurant industry.

## TIPS ARE WAGES

Michigan income tax laws, unemployment compensation laws, and workers' compensation laws all treat 100% of tip earnings as income. The Internal Revenue Service treats 100% of tip earnings as income. Clearly tips are wages and there are safeguards in the law to guarantee that all tipped employees earn at least the minimum wage.

## COMPARING MICHIGAN WITH THE FEDERAL LAW AND BORDERING STATES

House Bill 4177 places Michigan restaurants at an even greater competitive disadvantage.

### Payroll wage for tipped employees.

Federal	\$2.13 (permanently frozen in last year's act)
Indiana	\$2.13
Ohio	\$2.13
Wisconsin	\$2.33
Michigan Current	\$2.52
Michigan SB 1	\$2.52
Michigan HB 4177	\$3.87

## WHAT ABOUT AN INCREASE FOR TIPPED EMPLOYEES?

Because the Michigan payroll rate for tipped employees (\$2.52) is already higher than the federal rate (permanently frozen at \$2.13) and our border states of Indiana (\$2.13), Ohio (\$2.13), and Wisconsin (\$2.33), and because tipped employees already earn above the minimum wage, the Michigan Restaurant Association supports a freeze in the payroll rate at the current level. Government intervention is hardly needed to provide for a mandated increase for tipped employees who already earn far in excess of the new minimum wage rate proposed in both bills.

There are guarantees in the current law and proposed laws to safeguard that lower earning tipped employees earn at least the minimum wage. Even with a freeze in the payroll rate, all tipped employees will be guaranteed that their minimum earnings increase from \$3.35 to \$5.15.

## TIPPED EMPLOYEES DO GET AN INCREASE IN THEIR GUARANTEED MINIMUM EARNINGS

Even if frozen at \$2.52, both the SB 1 and HB 4177 would provide tipped workers with an increase in the guaranteed minimum earnings they will receive .

	Now	1 <sup>st</sup> Step	2 <sup>nd</sup> Step
Minimum employer payroll responsibility	2.52	2.52	2.52 Employer
responsibility if low tips *	.83	2.23	2.63 Guaranteed minimum
earnings	3.35	4.75	5.15

\*The employer is responsible for making up the difference if actual tip earnings as reported in signed statements from the worker are less than this amount.

## TIPPED EMPLOYEES HAVE GOTTEN AN 86% INFLATIONARY INCREASE

Those who support increasing the payroll wage for tipped employees, state that tipped employees haven't had an increase in 16 years. That is not correct. According to the Bureau of Labor Statistics, menu prices in restaurants have increased nearly 86% – consistent with the overall U.S. inflation rate – since Michigan's last minimum wage rate took effect. Because tips are essentially based on the cost of a restaurant meal, it is clear that tip income has steadily increased since the last bill was passed.

## **DO TIPPED EMPLOYEES EARN AT LEAST THE MINIMUM WAGE?**

An average tipped employee earns \$8.00 per hour. For those earning less, there are guarantees in the law that they will earn at least the minimum wage because under state law:

- Before an employer can take a tip credit, the employer must receive from the employee a signed and dated statement indicating the amount of tips earned for each pay period.
- The tip credit can never exceed actual tips received.
- The employer must make up any shortfall if reported tips are less than the tip credit.
- The tip credit cannot reduce an employee's actual earnings below the required minimum wage.

## **WHAT ABOUT TIP POOLING?**

Tip pooling agreements between servers, bartenders, and busboys are legal under both state and federal laws. It is the one exception to the requirement that employees must retain all their tips in order for the employer to take a tip credit. Employers who take a tip credit against the minimum wage must meet the following Michigan requirements regarding tip pooling:

- The employment records shall contain voluntary consent agreements signed by the employees who receive gratuities directly from the customer. The consent statement should be to the effect the employee consents to the pooling and redistribution agreement.
- All gratuities received in accordance with a voluntary tip pooling arrangement shall be redistributed to those employees participating in the tip pool.
- Employers are required to display the "General Rules" poster from the Michigan Department of Labor – Bureau of Safety and Regulation. This poster discusses the tip pooling requirements.

## **INCREASING THE MANDATED MINIMUM PAYROLL WAGE IN TIPPED INDUSTRIES, "ROBS PETER TO PAY PAUL"**

SB 1 freezes the allowable minimum payroll wage at the current level of \$2.52 per hour. Under HB 4177, the payroll wage for tipped employees climbs from \$2.52 per hour to \$3.87. This gives an automatic pay increase of as much as \$2,700 per year to thousands of bartenders, waiters, and waitresses who already earn far in excess of the new minimum wage.

HB 4177 has a staggering \$150 million annual impact on Michigan restaurants. The average small restaurant doing no more than \$500,000 per year in sales would see their labor cost for tipped workers increase by \$19,000 per year.

As a direct result of an increase in the tipped rate, the earnings of entry level and mostly unskilled workers in non-tipped positions will be hurt. Restaurants will be forced to shift payroll dollars from the "back of the house" to the "front of the house." Thus hard-working line cooks, food preparers, and dishwashers – in the next rung above the minimum wage – will see smaller pay increases, delayed increases, or no increases at all in the future.

In most restaurants, tipped employees already are the most highly compensated hourly employees. Under HB 4177, the earning disparity between front and back of the house gets even worse. Not only do tipped employees, who are already earn above the minimum wage, get a \$2,700 pay increase, but they also will earn even more in tips as menu prices skyrocket to cover the damaging labor cost.

This mandated increase in the rate of tipped employees already earning above the minimum wage is poor public policy, economic carelessness and tortured logic. For these reasons, the Michigan Restaurant Association urges a freeze in the payroll wage for tipped employees at \$2.52. This rate is already higher than the federal rate of \$2.13

### **Remember, Tips ARE Wages**

Michigan income tax laws, unemployment compensation laws, and workers' compensation laws all treat 100% of tip earnings as income. The Internal Revenue service treats 100% of tips earning as income. Clearly tips are wages.

**RI Hospitality & Tourism Association**  
**Tip Credit Legislation - Pros and Cons**



**Pros**

- The bill guarantees that tipped employees will make at least the minimum wage.
- The bill does not decrease the wage of any employee. The amendments do not undermine the intent of the minimum wage. They continue to ensure that every hourly employee attains, at the very least, a minimum level of compensation.
- The bill recognizes through a tip credit, the burden of employers to pay FICA and other taxes on tips as well as on cash wages.
- The bill recognizes that tips are part of compensation for tipped employees – with tips often exceeding \$10 an hour – and that a minimum wage increase is not intended to raise the compensation of employees already making \$10 an hour or more.
- Proponents maintain that the minimum wage should be increased to \$5.15 to better provide a “living wage” for minimum wage employees. However, tipped employees already make far more than minimum wage, anywhere from \$8 per hour to \$16 an hour and more, clearly exceeding the proposed increase.
- Employers contribute to the ability of tipped employees to earn more in tips through training, uniforms, good food, and ambiance.
- Tipped employees are frequently the only ones paid minimum wage in a restaurant. With tips, they earn far in excess of the minimum wage. Increasing their wage forces employers to reduce hours and shifts for all employees including non-tipped employees.

**Cons**

The tip credit would exclude more than half of those working for minimum wage from receiving an increase.

*Response: The only employees who are excluded are those who already receive total compensation that is equal to or greater than the new minimum wage – we're talking about employees who make up to \$16 per hour and more. The language guarantees that these employees will receive total compensation of at least the minimum wage.*

The language would prevent tipped employees from ever benefiting from a minimum wage increase.

*Response: The language assures that tipped employees will always make at least the minimum wage, though most if not all, will make considerably more. As menu prices increase following inflation, tipped employees will see an increase in tips as a percentage of the increased menu prices.*



## Cash Wage

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**Position** The Pennsylvania Restaurant Association strongly supports legislative action to freeze the current cash wage paid to waiters and waitresses at \$2.61 per hour.

**Explanation of Position** The minimum wage bill passed by the United States Congress in August freezes the current cash wages for tipped employees under federal law at \$2.13 per hour.

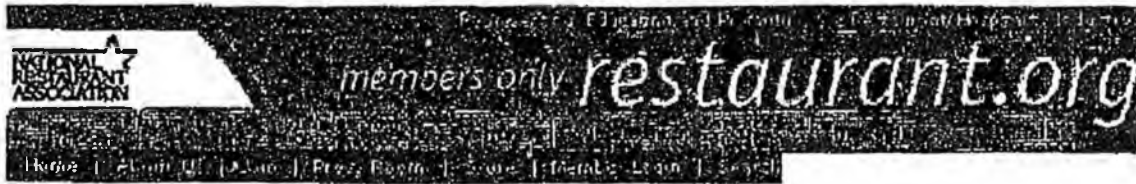
Congress recognized that tipped employees earn a significant portion of their income in tips. By freezing the cash wage for tipped employees under federal law at \$2.13 per hour, Congress rightly recognized that tipped waiters/waitstaff who receive compensation in excess of the minimum wage should not receive a windfall increase when the minimum wage is increased.

Pennsylvania's tip credit is 45% of the minimum wage or \$2.14 as of October 1, 1996. Therefore, waiters/waitresses receive \$2.61/hour ( $\$4.75 - \$2.14 = \$2.61/\text{hr}$ ) or a 22.8% higher cash wage than the federal level!!!

Restaurants who utilize tipped staff have averaged \$6,433 per restaurant in increased costs since October 1st because of the increased minimum wage. Many restaurants have seen their costs at double, triple or more than these costs. We estimate more than \$60 - \$75 million in increased costs will be incurred unless we can freeze our cash wage at \$2.61 per hour.

Safeguards in the law insure that tipped employees earn at least the minimum wage. To protect tipped employees, the law provides that a tip credit cannot reduce an employee's wage below the required minimum wage. In addition, the credit must be clearly shown on payroll records, and it cannot be used at all unless its application and limitations are explained to the employee. Even if an employer were to take a 100% tip credit, virtually no employee would earn less than the minimum wage and most would earn well above the minimum.

Pennsylvania's cash wage needs to be frozen at \$2.61 to remain competitive, to be consistent with Congress's actions in August, and to ensure the economic viability of our restaurants who employ tipped staff.



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**Inside:**

- Washington Weekly
- Research
- Library Services
- Government & Legal

## Minimum Wage

### Minimum Wage: A State-by-State Guide as of Jan. 1, 2001

**If your restaurant is covered by federal minimum wage law (find out below who is covered by the federal Fair Labor Standards Act), you must pay your hourly employees at least \$5.15 an hour, and your tipped employees a cash wage of at least \$2.13 an hour. (Here's an explanation of the "tip credit.")**

You may need to pay more, though. States are free to set their own wage rates — and when they do, employers who are covered by the Fair Labor Standards Act, or FLSA, must pay whichever rate (state or federal) is most favorable to the employee.

To help cut through the confusion, this chart from the National Restaurant Association tells **FLSA-covered employers** what to pay employees.

**IMPORTANT NOTE:** The state information provided below is believed to be accurate as of Jan. 1, 2001. However, no warranty of accuracy is given, particularly since state laws can change frequently. The National Restaurant Association urges you to consult with the relevant state enforcement agency, your legal counsel, and/or your local human resources expert before acting on an important matter related to wage payments. The information below is provided with the understanding that the National Restaurant Association is not engaged in rendering legal or professional services.

	Minimum Wage	Tip Credit	Cash Wage for Tipped Employees	For More Information, Contact:
U.S.	\$5.15	\$3.02	\$2.13	
Alabama	\$5.15	\$3.02	\$2.13	State labor dept or restaurant association
Alaska	\$5.65	\$0	\$5.65	State labor dept or restaurant association
Arizona	\$5.15	\$3.02	\$2.13	State labor dept or restaurant association
Arkansas	\$5.15	\$3.02	\$2.13	State labor dept or restaurant association
California	\$6.25	\$0	\$6.25	State labor dept or restaurant association
Colorado	\$5.15	\$3.02	\$2.13	State labor dept or restaurant association
Connecticut	\$6.40	\$1.66	\$4.74	State labor dept or restaurant association
Delaware	\$6.15	\$3.92	\$2.23	State labor dept or restaurant association
District of Columbia	\$6.15	\$3.38	\$2.77	State labor dept or restaurant association
Florida	\$5.15	\$3.02	\$2.13	State labor dept or restaurant association
Georgia	\$5.15	\$3.02	\$2.13	State labor dept or restaurant association
Hawaii	\$5.25	\$0.20	\$5.05	State labor dept or restaurant association

National Restaurant Association | Members | Minimum Wage Guide

Idaho	\$5.15	\$1.80	\$3.35	State labor dep't or restaurant association
Illinois	\$5.15	\$2.06	\$3.09	State labor dep't or restaurant association
Indiana	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association
Iowa	\$5.15	\$2.06	\$3.09	State labor dep't or restaurant association
Kansas	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association
Kentucky	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association
Louisiana	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association
Maine	\$5.15	\$2.57	\$2.58	State labor dep't or restaurant association
Maryland	\$5.15	\$2.77	\$2.38	State labor dep't or restaurant association
Massachusetts	\$6.75	\$4.12	\$2.63	State labor dep't or restaurant association
Michigan	\$5.15	\$2.50	\$2.65	State labor dep't or restaurant association
Minnesota	\$5.15	\$0	\$5.15	State labor dep't or restaurant association
Mississippi	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association
Missouri	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association
Montana	\$5.15	\$0	\$5.15	State labor dep't or restaurant association
Nebraska	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association
Nevada	\$5.15	\$0	\$5.15	State labor dep't or restaurant association
New Hampshire	\$5.15	\$2.77	\$2.38	State labor dep't or restaurant association
New Jersey	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association
New Mexico	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association
New York	\$5.15	\$1.05	\$3.30	State labor dep't or restaurant association
North Carolina	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association
North Dakota	\$5.15	\$1.70	\$3.45	State labor dep't or restaurant association
Ohio	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association
Oklahoma	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association
Oregon	\$6.50	\$0	\$6.50	State labor dep't or restaurant association
Pennsylvania	\$5.15	\$2.32	\$2.83	State labor dep't or restaurant association
Rhode Island	\$6.15	\$3.26	\$2.89	State labor dep't or restaurant association
South Carolina	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association
South Dakota	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association
Tennessee	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association
Texas	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association
Utah	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association
Vermont	\$6.25	\$2.81	\$3.44	State labor dep't or restaurant association
Virginia	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association
Washington	\$6.72	\$0	\$6.72	State labor dep't or restaurant association

State	Minimum Wage	Tip Credit	Net Minimum Wage	Source
West Virginia	\$5.15	\$1.03	\$4.12	association
Wisconsin	\$5.15	\$2.82	\$2.33	State labor dep't or restaurant association
Wyoming	\$5.15	\$3.02	\$2.13	State labor dep't or restaurant association

**Who's Covered by the FLSA?**

**Who is covered by federal minimum wage law (the Fair Labor Standards Act)?**

- If your enterprise has annual sales of \$500,000 or more, you are covered by federal minimum wage law, known as the Fair Labor Standards Act, or FLSA.

- Regardless of your sales volume, if you have any employees who engage in "interstate commerce" (example: employees who regularly take out-of-state phone calls, process credit cards from out of state, unload goods shipped from another state, etc.), these employees are covered by the Fair Labor Standards Act.

If your sales volume is less than \$500,000 a year, you are probably covered by state law and should check with your state labor department for more details.

**Understanding What To Pay Tipped Employees**

**What am I required to pay tipped employees?**

That depends on your state. The required cash wage for tipped employees under federal law is \$2.13 an hour. So employers in states that follow federal law can pay tipped employees a cash wage of \$2.13 an hour and apply tip earnings toward the balance of the minimum wage obligation. (This is called taking a "tip credit.")

Thus, under current federal law, FLSA-covered employers may take a tip credit of up to \$3.02 an hour (\$2.13 cash wage + \$3.02 tip credit = \$5.15 minimum wage). In all cases, an employer may take the tip credit only to the extent that employees actually receive that much in tips.

Not all states follow federal law, however. Some allow a less generous tip credit than federal law, or even prohibit employers from taking a tip credit at all. In these cases, the law most favorable to the employee prevails. The chart above shows, by state, the minimum cash wage you must pay your tipped employees.

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## Restaurant Industry Facts

Locations .....844,000  
Employees ..... 11.3 million  
Restaurant-Industry Share  
Of the Food Dollar ....45.8 Percent

**2001 Industry Sales  
Projection: \$399 billion**

### Did you know that...

- The restaurant industry is the cornerstone of the economy, career and employment opportunities and community involvement?
- In 2010, the restaurant industry will operate more than one million units with sales of \$577 billion, representing over 53 percent of the food dollar?
- The restaurant industry employs 11.3 million people, making it the nation's largest employer outside of government?
- One-third of all adults in the United States have worked in the restaurant industry at some point in their lives?
- Eating & drinking places employ more minority managers than any other industry.
- Nine out of 10 tableservice-restaurant operators raise money for charity, or donate food/space?
- More than two-thirds of tableservice-restaurant operators consider tourists important to their business.

800-424-5156  
www.restaurant.org

## State Legislative Affairs

**To:** Jack Amon  
**Company:** Marx Bros. Cafe  
**Fax #:** 907-258-6279

**From:** Patrick Sheehy  
 Manager, State Legislative Affairs

**Phone:** (202) 331-5908  
**Fax:** (202) 973-5374  
**Email:** psheehy@dineout.org

**Date/Time:** 1/29/01 11:27 AM  
**Pages:** 15 total, including cover sheet  
**Comments:**

**Jack:** Following this cover, please find:

1) An updated list of the min. wages/tip credits/cash wages for every state. This list is the most up-to-date and assumes the employer is covered under the federal FLSA—which most restaurateurs are.

2) A collection of tip credit information and arguments that you may find useful. I've listed the best stuff first; if you have a minute or two, try to scan it all. Some of it is dated or refers to specific state tip credit fights, but some of it may be useful in terms of giving you additional lines of argument.

One last thought: Perhaps you might point out that none of the smaller, more rural states in the Western U.S.—MT, ND, SD, NE, ID, WY, UT, NM, NV--have gone above \$5.15/hour. Of those, all except MT and NV have a tip credit of \$3.02. Good Luck! pjs



## OFFICE OF THE GOVERNOR Press Releases



### ALASKA IN THE NEWS

January 17, 2001

Release 01018

#### **KNOWLES SEEKS ACTION TO HIKE MINIMUM WAGE** *Legislation Ties Future Increases to Inflation*

Calling it a significant step to extend Alaska's current era of prosperity to even more Alaskans, Gov. Tony Knowles today called for the Legislature to raise Alaska's minimum wage and tie future increases to the rate of inflation.

"Working for a minimum wage in Alaska should not mean a minimum quality of life," said Knowles, underscoring his State of the State Address.

At \$5.65 an hour, Alaska's present minimum wage is the lowest on the West Coast, some eighty-five cents under the next lowest minimum wage. While Alaska's minimum wage is tied

to federal law, the state has not acted to raise its minimum wage since 1959.

"A single parent working year-round in Alaska at minimum wage earns only two-thirds of the poverty level for a family of three and cannot hope to rise out of poverty," Knowles noted during a morning news conference. "These are disturbing facts that must change."

The bill Knowles transmitted today would increase the minimum wage to \$6.40 on October 1, 2001, followed by a raise to \$7.15 a year later. The wage would then adjust annually to match inflation, increasing by pennies per year, but protecting the minimal essential purchasing power of low-wage workers.

Inflation proofing will insure that minimum wage earners don't lose ground as they provide food, clothing and housing for their families.

According to the Alaska Department of Labor and Workforce Development, approximately 14,000 Alaska workers, 5.5 percent of the state's total workforce, received hourly wages between \$5.65 and \$6.74 an hour.

Minimum wage earners are not only teenagers and part-time workers. Over 70 percent of those receiving minimum wages are adults. Many are employed in seafood processing plants, and as food service workers, day care workers, cashiers, security guards, fast food cooks, and delivery drivers.

"The state has made great progress in the past four years in moving Alaskans from welfare to work," said Department of Labor and Workforce Development Commissioner Ed Flanagan. "But in FY 2000, 22 percent of public assistance recipients entering the workforce earned less than \$6.50 per hour. Increasing the wage of these Alaskans will reduce the temporary cash assistance needed to support their families."



From L to R: Department of Labor and Workforce Development Commissioner Ed Flanagan, Sen. Johnny Ellis (D-Anchorage), Gov. Knowles, Rep. Joe Hayes (D-Fairbanks), Sen. Kim Elton (D-Juneau), AFL-CIO Executive Director Jim Sampson, Sen. Donny Olson (D-Nome).

Alaska's present minimum wage is tied to the federal law. Knowles noted the state is reliant on whether Congress decides a raise is in order, rather than being able to determine the wage needs specifically for Alaskans. This means Alaska's minimum wage remains stagnant; it has been more than 3 years since the last wage increase.

"To tie our workers' wages to what the rest of the country is doing is a disservice to Alaskans," Knowles said. "That is why it is so important not only to raise Alaska's minimum wage, but to provide for its continued adjustment to our local economy."

##

**Contact:**

Bob King, Press Secretary at 907-465-3995

Claire Richardson, Deputy Press Secretary at 907-465-3996

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State of Alaska  
Office of the Governor

**Tony Knowles**  
Governor  
P.O. Box 110001  
Juneau, Alaska 99811-0001  
**NEWS RELEASE**



**Bob King**  
Press Secretary  
**Claire Richardson**  
Deputy Press Secretary  
907-465-3600  
FAX: 907-465-3533  
[www.gov.state.ak.us](http://www.gov.state.ak.us)

aFOR IMMEDIATE RELEASE: January 16, 2001

**MEDIA ADVISORY  
FOR  
WEDNESDAY, JANUARY 17**

**KNOWLES' BILL WILL INCREASE MINIMUM WAGE**  
*News Conference at 9:30 a.m. in Juneau*

Keeping his commitment to provide a wage that affords families a higher quality of life, Gov. Knowles will introduce legislation on Wednesday, January 17 at 9:30 a.m. to raise the minimum wage and allow for increases due to inflation year after year.

Reporters may participate in person at the Department of Health and Social Services Conference Rm., 1st floor of the Administrative Office Bldg., Rm. 123 (enter main entrance on Main Street, turn left, first door on the right). The building is across the street from the capitol.

Reporters may also call a toll-free number 800-315-6338 and enter access code 9243# (WAGE).

Radio Actualities of the event will be available shortly after by calling the Governor's Information Line at 800-478-5669 or 465-5213 in Juneau.

Video of the event will air on the Governor's Window at 3:30 p.m.

For more information contact Claire Richardson at 907-465-3996.

# Memorandum

To: House Labor and Commerce Committee Members

From: Stephanie Madsen, Pacific Seafood Processors Association

Date: 02/12/01

Re: HB 56-"An Act relating to minimum wage"

*S.Madsen*

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## Background

Pacific Seafood Processors Association, representing many of the onshore seafood processing companies located in Alaska, would like to provide this fact sheet with the accompanying attachments for your consideration during the deliberation of HB 56.

- The seafood processing industry is one of the last industries providing employment to an entry-level workforce with little or no work history or education. There has been an aggressive program to put Alaskans to work and we are pleased to report that according to the latest data from the Department of Labor our resident hire has increased.
- The majority of seafood processing employers provides room and board at no cost to the employee.
- Additionally, most employers provide airfare.
- The standard shift is 12 hours, 8 hours at regular pay and 4 hours at the overtime rate.
- The entry-level base pay is usually between \$5.45-7.00 when non-cash benefits are provided by employer.
- Many employers have step increases based on successful completion of a certain number of hours.

## Request for consideration

- A credit for seafood processors acknowledging the non cash benefits provided to the entry-level employee. Credit would apply only to the proposed increase in the minimum wage, or
- An exemption from proposed increase under AS 23.10.055 Exemptions; for seafood processors providing room and board for employees.

## Attachments

- Employment flyers from two employers
- Wage history examples for employees; 1 yr, 3 yr and 4 yr experience
- Exemptions as provided in 23.10.055

**UNISEA, INC.**  
**ALASKA SEAFOOD PROCESSOR INFORMATION**  
**'A' SEASON 2001**

### **THE COMPANY**

UniSea operates a state-of-the-art seafood processing facility in Alaska at a land based plant in Dutch Harbor. UniSea is involved with the processing of surimi, many types of finfish, crab and other species of fish.

### **EMPLOYMENT OPPORTUNITIES**

The employment agreement is for four months or layoff, whichever comes first, but there is a possibility of staying on longer than four months if work is available. 'A' Season 2001 is expected begin mid-January and UniSea will be sending employees up to Alaska during the second two weeks of the month. There is no guarantee of hours. Occasionally, promotional opportunities arise within the production department and other areas of UniSea's operations.

**In-Person Interviews Preferred; May Request an Application by Mail**

**UniSea Conducts Mandatory Drug Testing**

### **POSITION REQUIREMENTS**

- ◆ Must be at least 18 years of age.
- ◆ Must have valid proof of authorization to work in the United States.
- ◆ Must be able to understand and speak basic English.
- ◆ Must be able to perform repetitive work, stand, bend, twist and constantly work with your hands.
- ◆ Must be able to work very long hours (up to 12-18 hours a day, 6-7 days a week) in cold, wet and humid conditions.
- ◆ Must be able to lift heavy objects (up to 50 lbs.) and carry materials from one point to another.
- ◆ Must be able to work well in close proximity with others. Must be able to work closely with people of other cultures.

### **WAGES & BENEFITS**

◆ *Starting Hourly Rate: \$6.00*

◆ *Overtime Rate: \$9.00*

All hours in excess of eight (8) straight-time hours in a day will be paid at the overtime rate of one and one-half (1-1/2) times the base rate of pay. Medical/Dental/Vision coverage is available upon eligibility.

### **TRANSPORTATION**

Transportation to Alaska is provided free of charge from Seattle, WA or approved alternate points of hire. Return transportation is provided to Seattle upon completion of employment agreement or layoff.

## **ROOM & BOARD**

Housing, bedding, meals and laundry service are provided by the company, free of charge. Housing is bunk-style (usually 3-4 people per room), meals are cafeteria style, and restrooms are shared.

## **RAINGEAR**

Rain pants, rain coats and boots are provided by the company. Processors are required to wear **ALL** raingear and protective equipment during their entire shifts, without exception.

## **WHAT TO BRING**

If you are hired, we recommend that you bring the following:

- ◆ Warm, sturdy, washable work clothes - coat, jeans, flannel shirts, hooded sweatshirts, hat, thermal underwear and heavy, warm socks.
- ◆ Towel and washcloth.
- ◆ Toiletries - soap, shampoo, toothbrush and paste, deodorant.
- ◆ Four months supply of prescription medication
- ◆ Alarm clock (wind up or battery operated for vessel)
- ◆ Padlock for closet
- ◆ Entertainment items - books, games, cassette/CD player, camera

Some items may be purchased in Dutch Harbor.

## **OTHER ESSENTIAL INFORMATION**

- ◆ Medical facilities are limited and there is no dental care. There is a clinic in Dutch Harbor that is staffed only by physician's assistants
- ◆ Banking and postal services are available; banking may be done through Key Bank of Alaska.
- ◆ Recreational facilities are limited.

*This is a general overview of Company policies - the Employee Handbook or Plan Document prevails.*

## **UNISEA JOBLINE AND APPLICANT INFORMATION**

**(800) 535-8509, ext. 5330**

[www.unisea.com](http://www.unisea.com)

**UniSea, Inc.**

15400 NE 90th Street, PO Box 97019, Redmond, WA 98073-9719

**UniSea is an Equal Opportunity Employer.**

**WANTED:** Dedicated, hard-working individuals to work in a remote Alaskan land-based seafood plant who are available to complete a 1500-hour contract.

We're **WESTWARD SEAFOODS** -- a company that prepares high quality foods from icy Alaskan waters that are then shipped to our customers world-wide. We're looking for people we can train to prepare seafood our way. We're looking for people that take pride in their work and care about the finished product.

We have a commitment to our customers all over the world to provide them with the best quality fresh, frozen and prepared foods from the Bering Sea. To do that, we have a state-of-the-art processing facility in Dutch Harbor, Alaska with the best equipment available. And, more importantly, we look for the best qualified people to operate our equipment and manually prepare seafood that meets our customers' demands.

Here's what **WESTWARD** offers its high-level workforce:

- **\$5.65/hr (\$8.48/OT) paid every other week!**
- **EMPLOYMENT CONTRACTS OF 1500 HOURS!**
- **TRANSPORTATION TO DUTCH HARBOR** from Seattle/Washington, Anchorage/Alaska and from designated points in Alaska!
- **RETURN TRANSPORTATION** to the above points of origin for those who successfully complete their employment agreement!
- **HOUSING** at no charge to our employees!
- **MEALS** at no charge to our employees!
- **WORK GEAR** and **PROTECTIVE EQUIPMENT** at no charge to our employees!
- **LAUNDRY SERVICE** and **HOUSEKEEPING** at no charge to our employees!
- **HEALTH INSURANCE** and **RETIREMENT PLAN** available when eligible!
- **A SAFE WORKPLACE THAT IS DRUG-FREE AND ALCOHOL-FREE!**
- **OPPORTUNITY FOR ADVANCEMENT** for skilled and supervisory positions!

One of the biggest reasons people want to work in the seafood business is the chance to make more money in a shorter amount of time. To preserve the freshness of the seafood delivered by the fishing vessels, seafood workers have a greater opportunity for overtime hours than most jobs. Hours will vary. There may be days with no hours or during peak production times, shifts can be 12 or more hours per day, depending on the amount of fish caught.

In Alaska, hours worked over 8 in a day are paid at the overtime rate: one and one-half times the regular, hourly rate of pay. Also, hours worked over 40 regularly-paid straight-time hours are paid at the overtime rate. Our regular starting rate of pay is \$5.65 per hour. The overtime rate of pay is \$8.48 per hour.

Do you have what it takes to work at **WESTWARD SEAFOODS**? Our minimum requirements include the following:

- Can you provide documents that show you are authorized to work in the US and that establish your identity?
- Are you at least 18 years old? (Alaska law requires employees to be 18 years or older to work around moving equipment.)
- Can you speak and understand basic English? (A safety requirement)
- Can you follow directions?
- Are you able to lift and carry 50 to 75 pounds repeatedly?
- Do you have upper body strength and flexibility?
- Do you have strong hands with a strong grasp?
- Are you able to work up to 18 hours or more per day seven days a week?
- Can you work standing in one place for 12-18 hours at a time?
- Can you tolerate working in a wet, cold, and noisy environment?
- Are you able to show up for work on time when you are scheduled for work?
- Can you get along with, live with and work well with people from from different cultures and backgrounds?

If you can meet these minimum requirements, with or without reasonable accomodation, and are interested in working for **WESTWARD SEAFOODS**, please fill out the attached employment application. Also attached is our recruiting schedule. Please bring your completed application with you to one of our recruiting sites to hear more about what job opportunities **WESTWARD SEAFOODS** has to offer!

At our recruiting events we will have applications to fill out, our Recruiter and Production staff will give a presentation about processor jobs and Dutch Harbor, and interviews will be conducted. Selected candidates will be asked to complete a drug-screen and medical examination. Those who satisfactorily complete a drug screen may be scheduled on a flight to our land-based plant located in Dutch Harbor, Alaska.

You may be the person that **WESTWARD SEAFOODS** is looking for. And, we may have the opportunity for you to make some money!

**APPLY TODAY!**

**WESTWARD SEAFOODS IS AN EQUAL OPPORTUNITY EMPLOYER.**

To apply, you may call Westward Seafoods at (206) 682-5949, and request and application form to be mailed or faxed to you.

You may also print the application directly from this WEB site.

To print the application from this WEB site you will need to change the page setup in your browser so that all margins, (left, right, top, bottom), are set to 1/2". Once this is changed each of the following links can be opened and then printed. When completed, successfully, you will have the two pages of the Westward Seafoods application.

Fill this application out "completely" (front and back) and be sure to sign the back of the application, then mail it to the address at the top of the application or bring it with you to one of our recruiting locations (see recruiting schedule.)

- [Application - Page 1](#)
- [Application - Page 2](#)

If you prefer, you can email us your name, address, and phone number and we will mail an application to you.

- [jobs@westwardseafoods.com](mailto:jobs@westwardseafoods.com)

Display Device . . . . . : QPADEV0009  
User . . . . . : JANNA

2/12/01 12:21:29      \* SOFTWARE PLUS VERSION 6.0 \*  
Scr. Id: HRR435C2      Employee Earnings History Inq

User Id: JANNA  
Ws. Id.: QPADEV0009

Employee Number --> 15074  
Year 2000 Plan

~~XXXXXXXXXXXX~~

1 yr. employee

Month	<i>gross wages</i> Dollars	Total Hours
JAN ----->	31.72	5.20
FEB ----->	961.90	141.10
MAR ----->	1,284.97	185.30
APR ----->	1,065.37	155.90
MAY ----->	551.27	63.00
JUNE ----->		
JULY ----->	30.50	5.00
AUG ----->	908.60	134.50
SEPT ----->	1,642.43	231.30
OCT ----->	1,964.51	289.40
NOV ----->	297.38	44.30
DEC ----->		
YEAR-TO-DATE --->	8,740.73	1,275.00

Reg Hrs: 959.20      Overtime: 315.80

F1=Help

F3=Exit

F12=Cancel

avg. per hour \* 6.85

REP-15-JAN01 15:53  
UNISEA INUTCH MAIL OFFICE  
907 581 7228 P.04 05

5769SS1 V1R4M0 990521

Print Key Output

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02/12/01 Page 1  
12:21:57

Display Device . . . . . : QPADEV0009  
User . . . . . : JANNA

2/12/01 12:21:50  
cr. Id: HRR435C2

\* SOFTWARE PLUS VERSION 6.0 \*  
Employee Earnings History Inq

User Id: JANNA  
Ws. Id.: QPADEV0009

Employee Number --> 18293  
Year 2000 Plan

*1yr employee*

Month	gross wages Dollars	Total Hours
JAN	135.00	22.50
FEB	775.50	116.80
MAR	2,481.00	329.00
APR	1,183.80	170.70
MAY	1,184.10	165.80
JUNE		
JULY	103.20	15.80
AUG	1,412.40	196.30
SEPT	2,289.44	303.30
OCT	3,191.22	428.70
NOV	312.02	47.40
DEC		
YEAR-TO-DATE	13,067.68	1,796.30

F1=Help

F3=Exit

*Reg Hrs: 1065.40 Overtime 730.9*

F12=Cancel

*avg. per hour \$ 7.27*

TOTAL P.05

UNISEA SOUTH PHILL OFFICE

907 591 7238 P.05 05

Sec. 23.10.055. Exemptions.

The provisions of AS 23.10.050 - 23.10.150 do not apply to

(1) an individual employed in agriculture, which includes farming in all its branches and, among other things, includes the cultivation and tillage of the soil, dairying, the production, cultivation, growing, and harvesting of any agricultural or horticultural commodities, the raising of livestock, bees, fur-bearing animals, or poultry, and any practices, including forestry and lumbering operations, performed by a farmer or on a farm as an incident to or in conjunction with the farming operations, including preparation for market, delivery to storage or to market or to carriers for transportation to market;

(2) an individual employed in the catching, trapping, cultivating or farming, netting or taking of any kind of fish, shellfish, or other aquatic forms of animal and vegetable life;

(3) an individual employed in the hand picking of shrimp;

(4) an individual employed in domestic service, including a baby-sitter, in or about a private home;

(5) an individual employed by the United States or by the state or political subdivision of the state, except as provided in AS 23.10.065(b), including prisoners not on furlough detained or confined in prison facilities;

(6) an individual engaged in the nonprofit activities of a nonprofit religious, charitable, cemetery, or educational organization or other nonprofit organization where the employer-employee relationship does not, in fact, exist, and where services rendered to the organization are on a voluntary basis and are related only to the organization's nonprofit activities; for purposes of this paragraph, "nonprofit activities" means activities for which the nonprofit organization does not incur a liability for unrelated business income tax under 26 U.S.C. 513, as amended;

(7) an employee engaged in the delivery of newspapers to the consumer;

(8) an individual employed solely as a watchman or caretaker of a plant or property that is not in productive use for a period of four months or more;

(9) an individual employed in a bona fide executive, administrative, or professional capacity or in the capacity of an outside salesman or a salesman who is employed on a straight commission basis;

(10) an individual employed in the search for placer or hard rock minerals;

(11) an individual under 18 years of age employed on a part-time basis not more than 30 hours in a week;

(12) employment by a nonprofit educational or child care facility to serve as a parent of children while the children are in residence at the facility if the employment requires residence at the facility and is compensated on a cash basis exclusive of room and board at an annual rate of not less than

(A) \$10,000 for an unmarried person; or

(B) \$15,000 for a married couple;

(13) an individual who drives a taxicab, is compensated for taxicab services exclusively by customers of the service, whose written contractual arrangements with owners of taxicab vehicles, taxicab permits, or radio dispatch services are based upon flat contractual rates and not based on a percentage share of the individual's receipts from customers, and whose written contract with owners of taxicab vehicles, taxicab permits, or radio dispatch services specifically provides that the contract places no restrictions on hours worked by the individual or on areas in which the individual may work except to comply with local ordinances;

(14) a person who holds a license under AS 08.54 and who is employed by a registered guide or master guide licensed under AS 08.54, for the first 60 work days in which the person is employed by the registered guide or master guide during a calendar year;

(15) an individual engaged in activities for a nonprofit religious, charitable, civic, cemetery, recreational, or educational organization where the employer-employee relationship does not, in fact, exist, and where services are rendered to the organization under a work activity requirement of AS 47.27 (Alaska temporary assistance program); or

(16) an individual who

(A) provides emergency medical services only on a voluntary basis;

(B) serves with a full-time fire department only on a voluntary basis; or

(C) provides ski patrol services on a voluntary basis.



# Pacific Associates, Inc.

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234 Gold Street • Juneau, Alaska 99801

## MEMORANDUM

February 7, 2001

To: Representative Pete Kott  
From: Joe Kyle  
Re: HB - 56 " An Act relating to minimum wages"

Please accept the following info as a fact sheet concerning the commercial fisheries, shoreside processing industry in Alaska as it relates to HB - 56.

Ideally, the information provided, and it can/will be supplemented, would provide the basis for a rationale to credit shore based processors for the non cash benefits (specifically room and board) they provide to entry level, seafood processing workers.

- entry level workers generally start at, or above minimum wage
- standard work shift is 12 hours, 8 at regular pay, 4 at time and a half
- room and board is typically provided at no cost to the employee
- overtime pay generally constitutes approximately one third of gross wages paid per season

The attachments provided are fairly representative of industry norms for compensation and benefits provided to processing workers and other entry level employees. It should be noted the attachments are from a start up company that had a very abbreviated first season.

Attachment 1: Bering Pacific Seafoods (BPS) Employment Agreement  
Attachment 2: Typical BPS Employee Payment History



# Bering Pacific Seafoods, L.L.C.

~Wild Alaskan Fish From Wild Alaskan Waters~

## EMPLOYMENT AGREEMENT

This Employment Agreement (hereinafter "this Agreement") is made by and between BERING PACIFIC SEAFOODS, L.L.C. (hereinafter "BPS"), the owner of a seafood processing facility located in False Pass, Alaska, (hereinafter "the Processing Facility") and the undersigned, \_\_\_\_\_, (hereinafter "Employee").

**WHEREAS**, BPS wishes to retain the services of the Employee, and the Employee wishes to accept employment with BPS, upon terms and conditions hereinafter stated,

**NOW, THEREFORE**, in consideration of the mutual agreements and covenants contained herein, acts performed and to be performed, and other valuable considerations, receipt of which is hereby acknowledged, the parties agree as follows:

1. **EMPLOYMENT:** BPS hereby employs Employee and Employee hereby accepts employment upon the terms and conditions hereinafter set forth.
2. **TERM:** Subject to the provisions for termination as hereinafter provided, the term of this Agreement shall begin on \_\_\_\_ / \_\_\_\_ / \_\_\_\_ and end on \_\_\_\_ / \_\_\_\_ / \_\_\_\_, unless earlier terminated pursuant to the provisions of Section 6 hereof. The Employee acknowledges and understands that the employee is an "at will" employee and may be terminated at any time and for any reason or no reason by either party. However, the Employee must complete the full term of this Agreement in order to be deemed to have completed this Agreement.
3. **DUTIES AND RESPONSIBILITIES:** Employee agrees to perform such duties and job functions as he or she is from time to time directed or assigned to perform by the Processing Facility Manager or Supervisor on duty. Employee acknowledges that the seafood industry involves demanding and unpredictable hours of work, and that the processing facility will operate to process raw fish product delivered to it at any time of the day or night.
4. **WORK HOURS-DAYS:** A straight-time workday is eight (8) hours within a 24-hour period. The workday begins at 12:00am and ends at midnight. The workweek begins on Sunday at 12:00am and ends on Saturday at midnight. Employee acknowledges that, during the busy season, BPS anticipates operating its work crews in twelve-hour or longer shifts, which may include Saturdays and Sundays. Furthermore, Employee acknowledges that there may be periods of "down time" when no work hours will be scheduled because there is no raw fish available to process.
5. **COMPENSATION:** Employee's compensation for all services rendered under this Agreement shall be payable in accordance with BPS's normal payment schedule.
  - a. **Wages.** Employee will be paid according to BPS's approved pay rate schedule for his or her eight-hour shift ("straight-time shift").

234 Gold Street  
Juneau, AK 99801  
(907) 586-0161  
Fax (907) 586-0165

P.O. Box 89  
False Pass, AK 99583  
(907) 548-2347  
Fax (907) 548-2348

3822 18th Avenue W.  
Seattle, WA 98119  
(206) 281-9960  
Fax (206) 281-9957

Employee will be paid at a rate of one and one-half times his or her straight-time shift pay rate for all hours worked in excess of eight hours during a twenty-four hour period and 40 straight-time hours in the workweek.

**Hourly Pay Rate Schedule**

	<b>Straight-Time</b>	<b>Overtime (1 ½)</b>
<b>False Pass Resident Hire</b>	<b>\$10.00</b>	<b>\$15.00</b>
<b>Non-Resident Hire</b>	<b>\$7.00</b>	<b>\$10.50</b>

b. **Paid-Holidays.** There is no paid time off for Holidays. Employee will be paid a rate of one and one-half times his or her straight-time rate if he or she works on the following designated Holidays: New Years Day, President's Day, Martin Luther King Day, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving Day, and Christmas Day. If a Holiday falls on a Saturday or a Sunday and no work is scheduled, the preceding Friday or the following Monday, respectively, will be treated as the Holiday.

c. **Bonus Incentive Program.** BPS reserves the right in its absolute discretion to reward employees who demonstrate exceptional work commitment to the company. The bonus is based upon the individual employee's performance, in accordance with the Employee Handbook.

d. **Room & Board.** BPS agrees to provide meals, assigned shared living quarters, bedding, towels and laundry facilities, at no cost to the Employee, during the term of this Agreement. Upon arrival, the employee will be assigned shared living quarters and agrees to keep it clean, orderly and will not disrupt other employee's right to peaceful enjoyment and privacy. A one hundred dollar (\$100.00) deposit will be deducted from Employee's payroll and shall be returned to Employee if the bedding and towels are returned in good condition and the living quarters are clean and not damaged beyond normal wear and tear.

e. **Transportation.** Providing that he or she completes the term of this Agreement, or that he or she is not otherwise terminated under the provisions of Section 6 hereof, BPS agrees to provide round-trip transportation to the Employee from the Employee's point of hire to and from False Pass, Alaska. The Employee expressly authorizes BPS to deduct a pro-rata portion of such transportation costs from the Employee's paycheck on a regular basis until such costs are fully refunded to BPS. If the Employee is terminated under Section 6 hereof, or if the employee otherwise fails to successfully complete the term of this Agreement, the Employee authorizes and directs BPS to deduct the balance, if any, of the transportation costs so paid by BPS from the Employee's final paycheck. If the Employee successfully completes the services contemplated under this Agreement, BPS agrees to refund or pay, as the case may be, the entire round trip transportation cost to the Employee as a part of the Employee's final paycheck or bonus settlement amount, if any. **BPS and the Employee expressly agree that, if the Employee is terminated under the provisions of section 6 hereof, or if the Employee unilaterally terminates his or her employment with BPS during the term of this agreement, BPS'S responsibility to provide return transportation to the Employee shall be limited to providing return transportation to Cold Bay, Alaska, and not to the Employee's point of hire, as permitted by AS 23.10.380 (a).**

6. **TERMINATION:** The employee acknowledges and understands that the employee is an "at-will" employee, that he or she may be terminated at any time with or without cause. To successfully complete this Employment Agreement, the employee must work the full term of this Agreement, unless conditions require early plant closure or a reduction in personnel.

7. **COMPANY RULES:** Employee agrees to follow and comply with all established company rules in addition to the policies and procedures outlined in the employee handbook. In addition, employee agrees to abide by the company's Drug and Alcohol Policy and agrees to submit to Random, Reasonable Suspicion and Post Incident drug screening tests.

8. **MISCELLANEOUS:**

a. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties and all prior arrangements and negotiations between the parties are hereby deemed to be merged herein.

b. **Venue.** This Agreement has been made in and shall be construed, interpreted and enforced pursuant to the laws of the State of Alaska, and jurisdiction shall be the Third Judicial District, Anchorage.

**IT WITNESS WHEREOF,** this Agreement has been delivered and executed as set forth below.

Employee's Name: \_\_\_\_\_ SS#: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

Mailing Address: \_\_\_\_\_

\_\_\_\_\_ City State Zip

Employee's Phone #: \_\_\_\_\_ Emergency Phone #: \_\_\_\_\_

Emergency Contact: \_\_\_\_\_ Relationship: \_\_\_\_\_

**Employee's Point of Hire:**

City: \_\_\_\_\_ State/Province: \_\_\_\_\_ Country: \_\_\_\_\_

\_\_\_\_\_  
**Employee's Signature**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**BPS's Representative and Title**

\_\_\_\_\_  
**Date**

EMPLOYEE LISTING

ALL EMPLOYEE TYPES

EMPLOYEE NO: 99-0000017

ADDRESS: [REDACTED]

SORT FIELD:

CITY: Anchorage

MARITAL STATUS: S

STATE: AK

ZIP CODE: 99507

SEX: M

PHONE NO: ( 000 ) 000 -

RACE CODE:

SOC SEC NO: [REDACTED]

PENS/PROF SHR: N

BIRTH DATE: [REDACTED]

DIRECT DEP: Y

HIRE DATE: 06/14/00

COMMENT:

TERM/INACT:

COMMENT:

REVIEW DATE:

COMMENT:

EMERGENCY NO: ( [REDACTED] ) [REDACTED] - [REDACTED] NAME: [REDACTED]

LABOR CODE:

STD HRS: 80.00

PRIM STATE: AK

PAY RATE 1: 7.000

PAY CYCLE: B

PAY RATE 2: .000

PAY METHOD: H

EXEMPT?: N

SUI STATE: AK

BENEFIT CODE:

EIC CODE:

TAX CODE	W/C CODE	FL STAT	EXEMPTIONS DEP	PER	OVERRIDE CODE	AMOUNT
FEDERAL		S	.000	.000		.00
AK			.000	.000		.00

BANK ACCT #	TYP	DESCRIPTION	ROUTING #	DIST	% / AMNT	PRE-NOTES
[REDACTED]	SV	NBA	125200057	% NET	100.00%	NOT SENT

	HRS ACCRUED	HRS USED	ANNUAL LIMIT	CARRY-OVER	AVAILABLE
VACATION	.00	.00	.00	.00	.00
SICK	.00	.00	.00	.00	.00

EARNINGS CODE	DESCRIPTION	HOURS		EARNINGS	
		QTD	YTD	QTD	YTD
01	Regular	.00	346.55	.00	2425.85
02	Overtime	.00	79.75	.00	837.39

CD	DEDUCTION DESCRIPTION	TYP	CAL	AUT	RATE	DEDUCTED		GOAL	BALANCE
						QTD	YTD		
04	Advance Repay	S	A	N	.00	.00	916.00	.00	.00
05	Plant Purch	S	A	N	.00	.00	35.89	.00	.00
06	A/R Purchases	S	A	N	.00	.00	263.61	.00	.00
07	Airline Reim	S	A	N	.00	.00	235.12	.00	.00

EMPLOYEE NO: 99-0000017

FEDERAL

WAGES:	QUARTER TO DATE	YEAR TO DATE		
GROSS WAGES:	.00	3263.24	PENSION PLAN:	.00
WITHHOLDING:	.00	3263.24	CAFETERIA PLAN:	.00
EMPLOYEE FICA:	.00	3263.24	ALLOCATED TIPS:	.00
EMPLOYER FICA:	.00	3263.24	FRINGE BENEFIT:	.00
EMPLOYEE MEDICARE:	.00	3263.24	NONQUALIFIED:	.00
EMPLOYER MEDICARE:	.00	3263.24	DEPENDENT CARE:	.00
UNEMPLOYMENT:	.00	3263.24		
TIPS REPORTED:	.00	.00		
TIPS DEEMED:	.00	.00		
<hr/>				
WITHHOLDING TAX:	.00	368.29	QTD	YTD
EMPLOYEE FICA:	.00	202.32	HOURS WORKED:	0 426
EMPLOYEE MEDICARE:	.00	47.32	DAYS WORKED:	0 100
EIC:	.00	.00	WEEKS WORKED:	0 20

STATE: AK

WAGES:	QUARTER TO DATE	YEAR TO DATE		
GROSS WAGES:	.00	3263.24		
WITHHOLDING:	.00	3263.24		
EMPLOYEE SDI:	.00	3263.24		
EMPLOYEE SUI:	.00	3263.24		
UNEMPLOYMENT:	.00	3263.24		
TIPS REPORTED:	.00	.00		
TIPS DEEMED:	.00	.00		
<hr/>				
WITHHOLDING TAX:	.00	.00	QTD	YTD
EMPLOYEE SDI:	.00	.00	HOURS WORKED:	0 426
EMPLOYEE SUI:	.00	17.62	DAYS WORKED:	0 100
			WEEKS WORKED:	0 18

Response to questions from the House Labor and Commerce Committee

1. **How many individuals earning the minimum wage are heads of households?**

There is no current data on the number of heads of households that are earning the minimum wage.

2. **What is the age of persons earning the minimum wage?**

There is no data available on the age of Alaskans earning the minimum wage. However, a rough proxy can be ascertained by a match of Occupational Database records and Permanent Fund Dividend records. The median age of workers in occupations with 1<sup>st</sup> quartile wages less than \$7.14 is 28 years. Depending on the occupation in this group the median age ranges from a low of 18 (ushers, ticket takers) to a high of 49 (musical instrument repairs/turners). (See attached table)

3. **How many persons are working at the minimum wage?**

There is no data available on the number of workers actually employed at the minimum wage. However, using information from the most recent Occupational Employment Statistics (OES) survey, a rough estimate can be developed. The lowest wage range in the survey is \$5.65-\$6.74. There are approximately 14,400 jobs that paid wages within this range. (See attached table)

4. **How long do workers stay at the minimum wage?**

There is no data available to answer this question.

5. **To what extent will benefits be cut to workers earning the minimum wage if the minimum is increased?**

There is no Alaska data that can shed light on this question.

6. **How many firms will go out of business if the minimum wage is raised?**

There is no Alaska data that can answer this question. However, raising the minimum wage would have a similar impact on firms providing the same service. Depending on the economic elasticity of the product or service being provided the increase in labor costs to the industry will be passed on to the consumer.

Chris Miller: DEPT LABOR

Industry	Percent of Total Minimum Wage <sup>1/</sup> Employment	Total Minimum Wage <sup>1/</sup> Employment by Industry
Eating And Drinking Places	32.31	4,564
Amusement & Recreation Services	8.76	1,265
Educational Services	5.61	810
Government	4.39	634
Food And Kindred Products	4.27	617
Hotels And Other Lodging Places	4.09	590
General Merchandise Stores	4.05	584
Food Stores	3.75	542
Miscellaneous Retail	3.47	501
Social Services	3.29	475
Real Estate	3.00	433
Membership Organizations	2.30	332
Automotive Dealers & Service Stations	2.01	290
Health Services	1.61	233
Motion Pictures	1.49	215
Personal Services	1.39	200
Wholesale Trade-nondurable Goods	1.22	176
Transportation By Air	1.21	174
Local And Interurban Passenger Transit	1.11	160
Miscellaneous Repair Services	1.10	159
Auto Repair, Services, And Parking	1.08	156
Business Services	.98	142
Communications	.80	115
Holding And Other Investment Offices	.79	114
Apparel And Accessory Stores	.69	99
Building Materials & Garden Supplies	.63	91
Engineering & Management Services	.53	76
Printing And Publishing	.42	60
Wholesale Trade-durable Goods	.40	58
Transportation Services	.36	52
Special Trade Contractors	.35	50
Agricultural Services	.33	48
Transportation Equipment	.20	29
Museums, Botanical, Zoological Gardens	.20	29
General Building Contractors	.19	28
Insurance Agents, Brokers, & Service	.19	27
Oil And Gas Extraction	.15	21
Lumber And Wood Products, Except Furni	.15	21
Security And Commodity Brokers	.15	22
Trucking And Warehousing	.13	19
Water Transportation	.12	17
Depository Institutions	.12	17
Heavy Construction, Ex. Building	.11	16
Legal Services	.10	15
Furniture And Homefurnishings Stores	.08	11
Nonmetallic Minerals, Except Fuels	.06	8
Electric, Gas, And Sanitary Services	.06	9
Insurance Carriers	.06	8
Miscellaneous Manufacturing Industries	.05	7
Petroleum And Coal Products	.03	4
Rubber And Misc. Plastics Products	.03	4
Services, Nec	.02	3
Apparel And Other Textile Products	.01	2
Chemicals And Allied Products	.01	1
Leather And Leather Products	.01	1
Instruments And Related Products	.01	1
<b>Total</b>	<b>100</b>	<b>14,435</b>

<sup>1/</sup> For the purpose of this analysis, "minimum wage" comprises the \$5.65-\$6.74 wage range.

**CY 1999 Workers by Median Age and Occupation  
Sorted Median Wage**

O.E.S. Occupations with 1st qrtl < \$7.15	OES			ODB		
	1st Quartile Wage Max	Median Wage	4th Quartile Wage Min	Total Number of Workers Without regard to wage	Total Number of Resident Workers	Resident Worker Median Age
Ushers, Lobby Attendants, Ticket Takers	5.87	5.92	6.51	74	70	18.0
Graders & Sorters: Agricultural Products	5.95	6.08	7.55	133	52	32.0
Walters & Waitresses	5.94	6.26	7.33	9,654	7,161	29.0
Food Servers, Ex Restaurant	6.08	6.57	11.32	3,844	3,248	20.0
Dancers & Choreographers	6.08	6.65	10.08	549	321	25.0
Amusement & Recreation Attendants	6.15	6.68	10.38	3,496	3,074	28.0
Dining Room/Cafeteria Attendant/Bar Help	5.98	6.75	7.97	2,161	1,694	20.0
Taxi Drivers & Chauffeurs	5.97	6.94	8.90	408	346	36.0
Comb Food Prep/Service Wkrs: Fast Food	6.11	7.01	8.07	6,647	5,257	19.0
Cooks: Specialty Fast Food	6.05	7.10	8.56	325	260	21.5
Telemarketers/Door-to-Door Sales Wkrs	6.15	7.39	12.11	537	440	24.0
Baggage Porters & Bellhops	6.62	7.46	8.33	1,218	1,019	31.0
Hosts/Hosless: Rest/Lounge/Coffee Shop	6.66	7.50	8.37	2,180	1,848	35.0
Vehicle Washers & Equipment Cleaners	6.59	7.63	8.71	2,007	1,621	24.0
Service Station Attendants	6.81	7.65	8.50	1,499	1,303	25.0
Property & Real Estate Managers & Admin	6.49	7.66	8.91	522	482	44.0
Child Care Wkrs	6.65	7.82	9.47	4,058	3,327	27.0
Musical Instrument Repairs/Tuners	6.36	7.84	13.71	4	4	49.0
Cannery Wkrs	6.62	7.85	10.09	19,784	6,349	32.0
Marking Clerks***	6.88	7.95	9.12	3,884	3,519	38.0
Photographic Processing Mach Opers	6.32	8.07	11.22	159	120	27.0
Pressing Mach Opers: Textile, Garment	7.12	8.08	9.28	204	155	40.0
Cooks: Short Order	7.10	8.13	9.47	2,317	1,781	21.0
All Oth Sales Wkrs	6.47	8.15	11.03	443	385	34.0
Cashiers	7.14	8.18	9.78	8,165	7,008	28.0
Driver/Sales Wkrs	6.99	8.41	11.71	1,180	972	29.0
Food Preparation Wkrs	7.00	8.45	10.68	5,364	4,317	28.0
Laundry/Dry-cleaning Mach Opers, Ex Press	7.08	8.51	10.66	449	381	37.0
Mach Feeders & Offbearers	6.14	8.87	13.25	235	176	38.0
File Clerks	6.98	8.90	11.09	909	810	26.0
Mail Mach Opers: Prep & Handling	6.58	8.94	11.17	79	77	38.0
Hand Packers & Packagers	6.75	9.39	11.15	1,285	995	28.0
Shoe Repairs	6.42	9.52	11.68	13	13	19.0
Hairdressers/Hairstylists/Cosmetologists	6.17	9.66	13.41	930	805	31.0
Guides	6.13	10.42	12.68	2,030	1,025	31.0
Veterinary Assistants	6.49	11.21	19.23	522	415	28.0
Public Admin Chief Exec/Leg/General	6.16	11.69	13.25	469	448	47.0
Total				87,737	61,278	28.0

Age data is available only for those with PFD information in 1994-99.

Occupational titles and wage rates are from the Occupational Employment Statistics program.

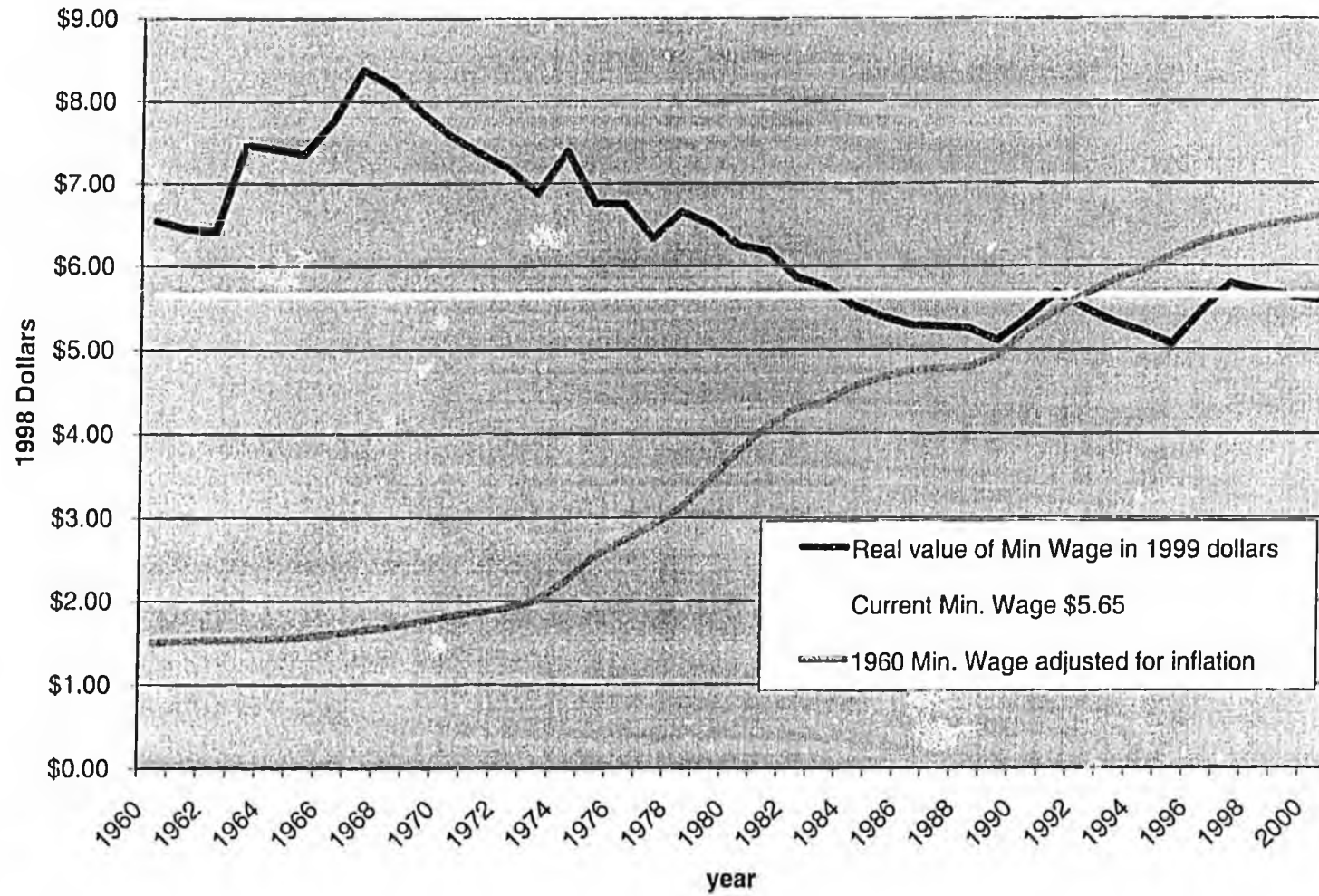
The number of workers is based on data from the Occupational Database and does not include federal government or the self-employed. A worker is counted if he/she worked in that occupation at any time during the calendar year. Workers who worked for more than one employer are counted only once.

Due to the different coding taxonomies used by these programs, some occupational titles are combined when calculating the number of workers and median age.

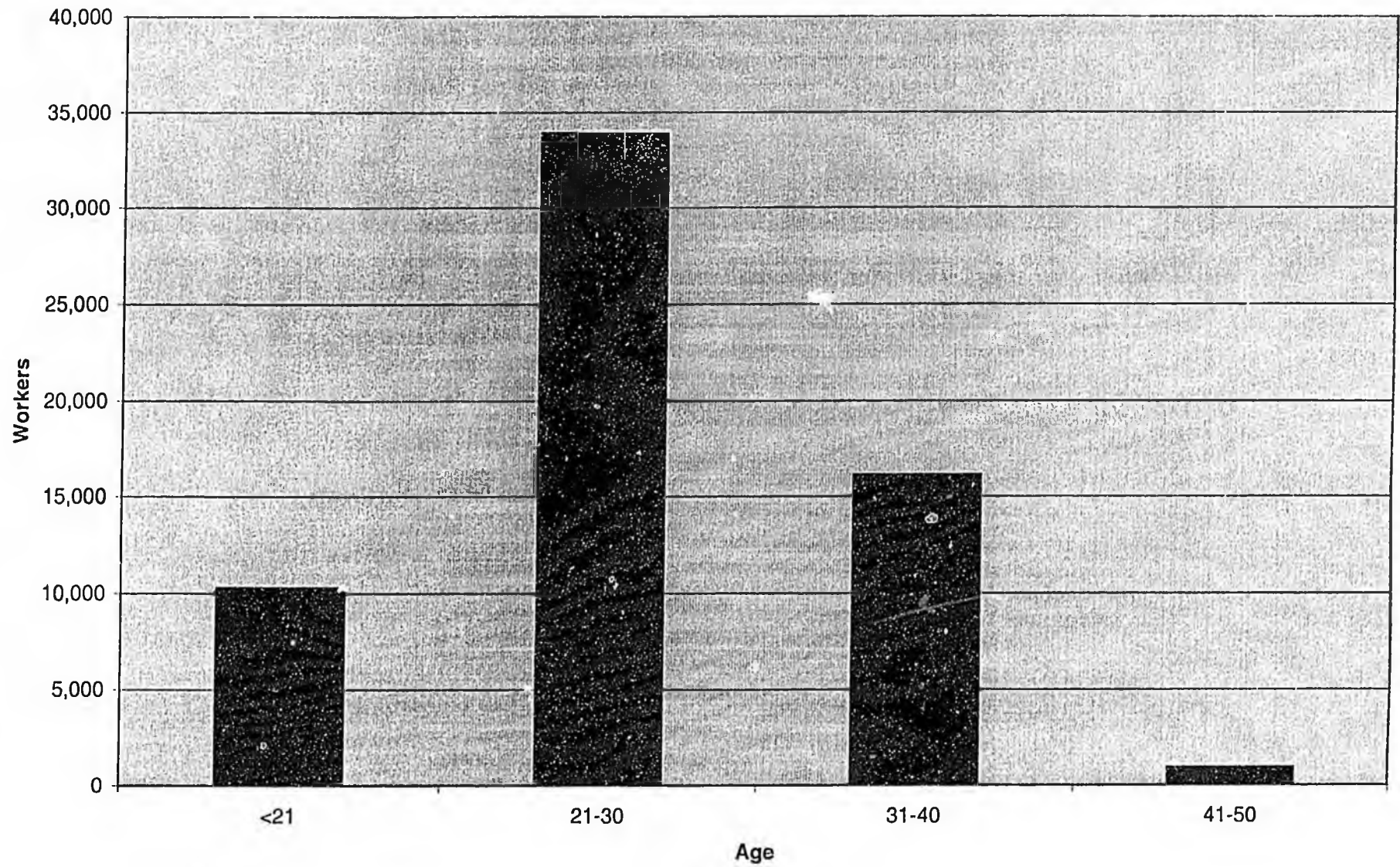
\*\*\* Marking Clerks are included in the larger category of Administrative Support Occupations, Including Clerical, Not Elsewhere Classified.

Source: AK Department of Labor and Workforce Development, Research and Analysis.

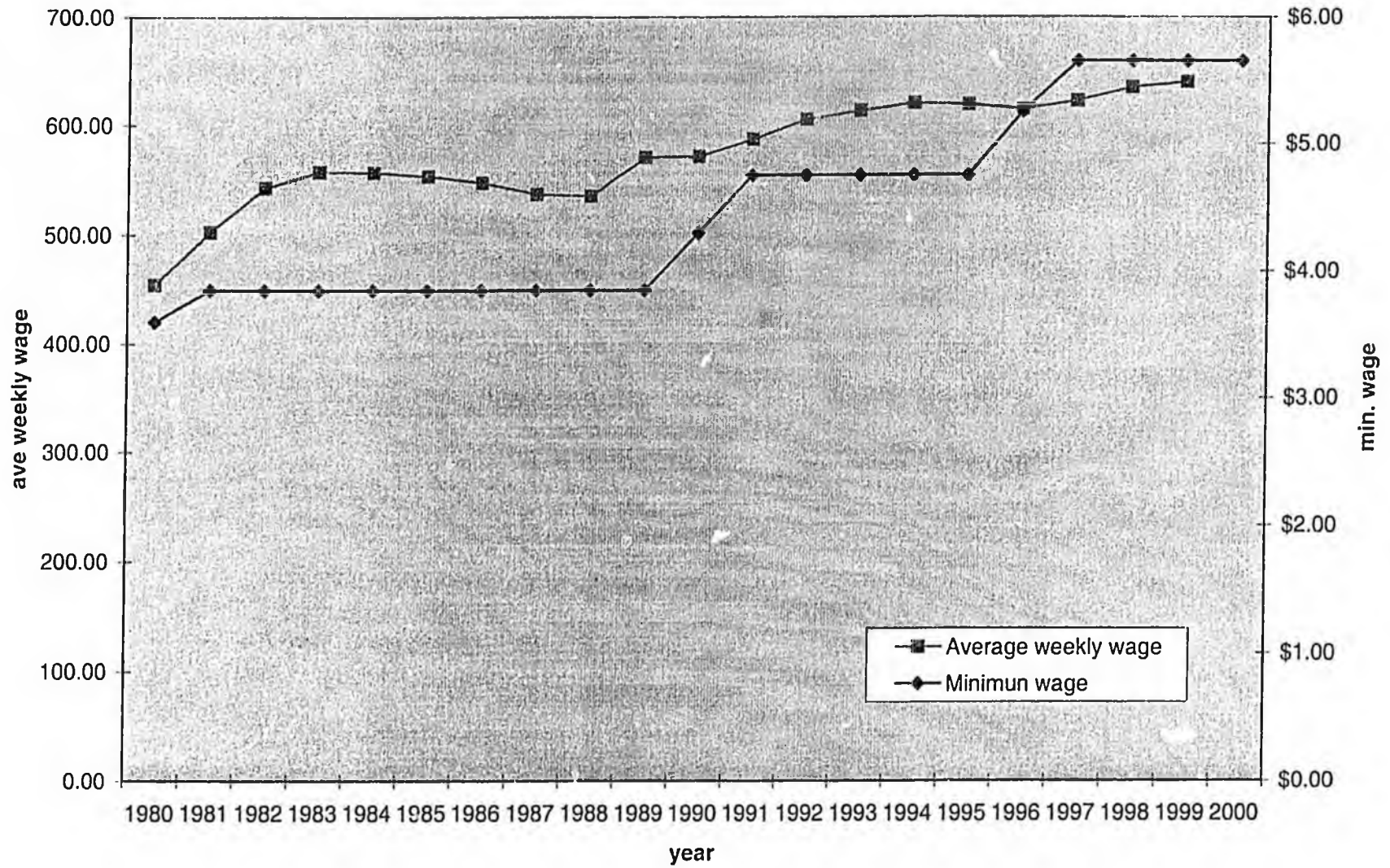
# Real Value of the Minimum Wage



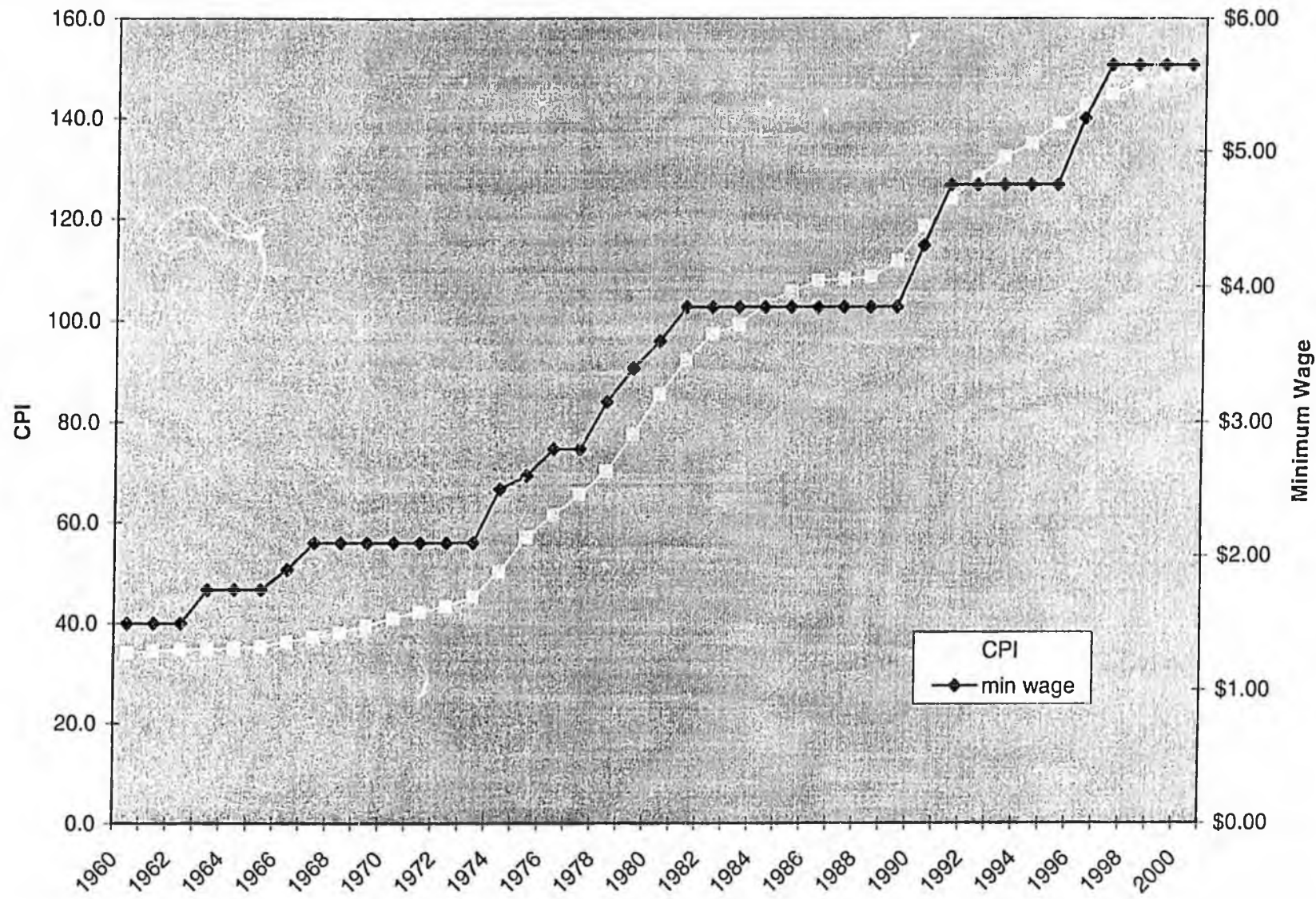
**Number of Workers by Age in Occupations  
with 1st quartile wage less than \$7.15**



### Average Weekly Wage vs Minimum Wage



### CPI vs Minimum Wage



[Accessibility Information]

**Consumer Price Indexes**

## Planned Change In The Consumer Price Index Formula April 16, 1998

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The Bureau of Labor Statistics announced today its decision to use a new formula for calculating the basic components of the Consumer Price Index for all Urban Consumers (CPI-U) and the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). This change will become effective with data for January 1999.

The new formula, the geometric mean estimator, will be used in index categories that comprise approximately 61 percent of total consumer spending represented by the CPI-U. The remaining index categories, which are shown in the attached table, will continue to be calculated as they are currently. Based upon BLS research, it is expected that planned use of the new formula will reduce the annual rate of increase in the CPI by approximately 0.2 percentage point per year.

The research that BLS has conducted over the past few years strongly suggests that the use of the geometric mean estimator at the basic level of index construction in the CPI will produce a measure that more accurately reflects the impact that changing prices have on the average U.S. household.

The following presents a summary of the factors that led BLS to consider use of the new formula, the empirical research that BLS conducted in evaluating the new formula, and the specific decisions BLS has reached for using it in the CPI. A more detailed description of the analysis underlying the decisions will be released later this year.

The possibility of using the geometric mean formula to calculate basic indexes in the CPI was first raised by BLS researchers in 1993. One initial motivation for this research was the problem of functional form bias (sometimes referred to as "formula bias" or "elementary index bias") then present in the CPI. The functional form bias occurred because of technical problems involved in using observed expenditure information to estimate the quantity weights used in the index formula. Because the geometric mean formula does not require quantity data, it does not suffer from this problem. Functional form bias in the CPI was eliminated in a series of steps, beginning in January 1995 and ending in July 1996, using an approach that did not involve the use of the geometric mean formula. BLS, however, continued research on the formula and development of an experimental geometric mean index, in part due to a recognition that the formula offered a means of reflecting consumer substitution behavior.

In December 1996, the Advisory Commission to Study the Consumer Price Index, commonly known as the Boskin Commission, recommended the use of the geometric mean formula for the aggregation of prices within all item categories in the CPI. This recommendation was based upon the belief that a geometric mean formula would help to correct what the Commission called "substitution bias." The CPI currently is constructed using a set of constant, or fixed, implicit quantity weights. Thus the index does not reflect the fact that consumers can and do, to some degree, insulate themselves from the impact of higher prices by adjusting their spending to favor relatively lower-priced goods or services. Consequently, the current CPI, when compared with a measure that reflects this substitution effect, tends to overstate the rate of price

increase consumers experience.

In contrast to the fixed quantity weights of the current CPI formula, the geometric mean estimator employs a set of fixed expenditure proportions as weights to be used in averaging the prices of individual items within a CPI basic index. Fixing the relative expenditure proportions rather than the relative quantities implies that consumers can alter the quantities of goods and services they buy, albeit within the narrow range of a CPI category, when the relative prices of those goods and services change. It is, in part, this property of the geometric mean estimator that led to the Boskin Commission recommendation of its use in the CPI.

The CPI is constructed as an aggregation of basic indexes computed for approximately 200 item categories, such as "ice cream and related products," in each of 38 geographic areas. Within each of these index components, or strata, prices for specific items in a sample of outlets (stores) are combined to produce a basic index. As noted above, the geometric mean formula will be used only to average prices within the item-area strata. Consequently, the use of the formula will address only the issue of consumer substitution within strata.

Substitution can take several forms corresponding to the types of item- and outlet-specific prices used to construct the basic indexes:

- Substitution among brands of products, for example, between brands of ice cream;
- Substitution among product sizes, for example, between pint and quart packages of ice cream;
- Substitution among outlets, for example, between a brand of ice cream sold at two different stores;
- Substitution across time, for example, between purchasing ice cream during the first or second week of the month;
- Substitution among types of items within the category, for example, between ice cream and frozen yogurt;
- Substitution among specific items in different index categories, for example, between ice cream and cupcakes.

Thus, in response to an increase in the price charged by a store for a certain brand of ice cream, a consumer could respond by redistributing purchases along any of several dimensions represented by other priced items in the category: to another brand of ice cream whose price had not risen, to a larger package of ice cream with a smaller price per ounce, to ice cream at a different store where ice cream is on sale, or to a brand of frozen yogurt. The consumer also could respond by postponing the ice cream purchase until a later date. (Prices for CPI items are collected throughout the month and then averaged.)

Finally, the consumer could substitute from the ice cream brand to a specific alternative dessert item, such as cupcakes or apples, that is in another CPI category. This latter form of substitution, although across CPI categories, would still have the effect of reducing the quantity consumed of the higher-priced ice cream brand relative to the quantities of other items within the ice cream stratum. Like the other forms of substitution, this is implicitly addressed by use of the geometric mean formula. Note, however, that *overall* substitution across categories, such as between ice cream products in general and apples in general, is *not* addressed by the geometric mean formula. The geometric mean formula will not be used to combine the basic indexes in the CPI, like those for ice cream products and apples, into the overall index. In the same way, the use of the geometric mean formula within categories does not address the issue of whether consumers can, or do, respond to a general increase in the price of ice cream products by, for example, forgoing dessert.

It should also be noted that the formula is only allowing for a degree of substitution by consumers as a

group. While the formula implicitly assumes that at least some customers will change their purchasing patterns when items' relative prices change, it is not inconsistent with some individual consumers continuing to purchase their favorite products even when they become relatively more expensive.

In April 1997, BLS began issuing an experimental CPI that used the geometric mean estimator in the calculation of all basic components of the index. This experimental index was issued to provide users with a quantitative estimate of the impact that use of a geometric mean formula at the lowest level of index construction would have on the performance of the CPI. At that time, it was stated that BLS would continue research on the question of using a geometric mean estimator in the CPI. This research would entail a thorough review of the theoretical literature concerning different index number formulas, a review of the practices of other countries and the justifications for their choices of formula, and a systematic and comprehensive analysis of available data to evaluate the appropriateness of using the geometric mean formula in the construction of each basic component of the CPI.

One of the principal objectives of the BLS research on geometric means was to determine, for each of the basic index categories that comprise the CPI, the extent to which consumers can be expected to alter their spending when relative prices change. Three types of evidence were examined in this effort: (1) highly detailed supermarket scanner data on prices charged for, and quantities sold of, a limited number of individual item categories; (2) measures of the extent of substitution at index calculation levels above the basic level, which can be viewed as providing indirect evidence concerning the likelihood of substitution behavior within item categories; and (3) estimates of the magnitude and prevalence of the substitution effect derived from a survey of the relevant empirical literature. For a variety of reasons, this evidence did not provide definitive support concerning the existence and magnitude of the substitution effect in each of the basic index categories. For example, although analysis of the detailed data on prices and quantities strongly indicated the existence of a significant substitution effect, the analysis was possible for only a few item categories because of limited data availability.

Taken in its entirety, however, the evidence unambiguously supported the proposition that consumers can, and do, alter their purchasing behavior in response to changes in the array of prices that they confront in the market place. The geometric mean estimator, as was stated earlier, can better reflect the effects of such changes in consumer spending than can the current CPI formula. Use of the geometric mean estimator at the basic level of index calculation in the CPI thus can be expected to produce an overall CPI that better reflects the impact that changing prices have on the average consumer. Consequently, BLS plans to use the geometric mean estimator in most CPI basic indexes, beginning with data for January 1999.

The basic indexes that will continue to be calculated as they are now represent important exceptions to this general rule. The rationales for these exceptions are presented below.

**Selected Shelter Services.** The total residential housing stock changes slowly. Thus, consumers as a group cannot freely alter their purchases of housing services in response to changes in the relative prices of different rental units. Consequently, the item categories of residential rent, owner's equivalent rent, and housing at school will not employ the geometric mean estimator. As of December 1997, these three categories together had a relative importance of 27.315 percent in the CPI-U and 25.500 percent in the CPI-W.

**Selected Utilities and Government Charges.** The services in these categories are provided primarily by governments or by regulated monopolies. Although CPI pricing samples within a basic index may include different service providers, in most cases consumers can substitute between these providers only by moving into a different service area. The BLS analysis of the substitution effect above the basic index level supports the continued use of the current formula in the utilities sector. Additionally, estimated demand

elasticities obtained from the economics literature mentioned before are low, at least in the short run, and thus argue for maintaining the current approach. These six categories had a total relative importance of 7.067 percent in the CPI-U and 7.347 percent in the CPI-W, as of December 1997. (These relative importance totals include the prorated weight of two unpublished indexes, unsampled motor vehicle fees and unsampled video and audio, whose movements will be imputed by a mixture of geometric-mean and arithmetic-mean indexes.)

**Selected Medical Care Services.** The decision to retain the current formula for professional and hospital medical care services is based largely on the results of the survey of demand elasticities in the economics literature. The relatively large elasticities for some prescription drugs contrast with low elasticities for hospital and professional services. Insurance firms and health plans, acting as agents for consumers, may be more sensitive to relative price changes than are consumers themselves, who pay only a share of the cost directly. It is, nonetheless, difficult to justify the proposition that consumers are highly responsive to relative prices in their direct purchases of health care services. The six excluded medical care categories (along with corresponding unpublished health insurance indexes) had a total relative importance of 4.159 percent in the CPI-U and 3.484 percent in the CPI-W, as of December 1997.

These exclusions leave three major groups of the CPI—Food and beverages, Apparel, and Other goods and services—that will use the geometric mean formula exclusively in the calculation of basic indexes. The other major groups each will have one or more excepted categories. Within the Transportation group, State and local registration, license, and motor vehicle property tax charges will continue to use the current formula. Within the Recreation group, the Cable television index will continue to be calculated as it now is, as will the Telephone services local charges index within the Education and communication group. The Housing group will have six important exceptions to use of the geometric mean estimator, three within Shelter and three within Fuels and utilities. Within the Medical care group, the Medical care commodities indexes will employ the geometric mean formula, while most indexes for Medical care services will continue to use the current formula.

It is important to note that, in addition to the evidence described above, the BLS considered other factors in reaching its decisions on the use of the geometric mean estimator. Two of these additional considerations are worthy of mention. First, the geometric mean estimator does not suffer from the persistent bias that affected the current formula before special, corrective procedures were implemented in 1995 and 1996. Use of the geometric mean estimator as outlined above obviates the need to use these special procedures in all but the several basic indexes that will continue to use the current formula. Largely eliminating the need for special procedures will, for the most part, make unnecessary the continued monitoring of how well they are achieving their intended objective. Second, index calculation formulas often are evaluated with respect to how well they satisfy certain performance criteria, often referred to as tests. Within the context of the list of tests generally imposed on price indexes, the geometric mean formula performs at least as well as the Laspeyres index.

The geometric mean estimator will be introduced in both the CPI-U and the CPI-W effective with data for January 1999, in accord with the past practice of introducing methodological changes at the beginning of a calendar year. BLS will continue to publish "overlap" CPI-U and CPI-W series using the current calculation method for the first six months of 1999. These indexes will not be published regularly for months subsequent to June 1999, but will be available upon request.

The experimental CPI-U-XG, using the geometric mean estimator in the calculation of all basic indexes, issued since April 1997, will be calculated through data for December 1998. Users of this series are reminded that the implementation of the geometric mean formula in 1999 will not apply to all basic indexes. Therefore, the movements of the CPI-U-XG relative to the CPI-U during 1998 may not be

indicative of the future impact of the geometric mean formula in the CPI.

**1. Selected shelter services:**

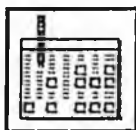
- |                              |   |                                       |
|------------------------------|---|---------------------------------------|
| A) Rent of primary residence | B) Owners' equivalent rent of primary residence | C) Housing at school, excluding board |
|------------------------------|---|---------------------------------------|

**2. Selected utilities and government charges:**

- |                                |  |                                      |
|--------------------------------|--|--------------------------------------|
| A) Electricity                 | C) Residential water and sewerage maintenance                            | E) Telephone services, local charges |
| B) Utility natural gas service | D) State and local registration, license, and motor vehicle property tax | F) Cable television                  |

**3. Selected medical care services:**

- |                         |  |                                    |
|-------------------------|--|------------------------------------|
| A) Physicians' services | C) Eyeglasses and eye care                 | E) Hospital services               |
| B) Dental services      | D) Services by other medical professionals | F) Nursing homes and adult daycare |



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*Ken Stewart*  
*Bureau of Labor Statistics*  
[gibson\\_s@bls.gov](mailto:gibson_s@bls.gov)  
*Last modified: May 08, 1998*



## RESTAURANTS NORTHWEST, INC.

A FRANCHISEE OF BURGER KING CORPORATION

3841 West Dimond Boulevard

Anchorage, AK 99516-1212

Phone: (907) 245-KING

Fax: (907) 245-2344

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# Memo

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**To:** Representative Lisa Murkowski

**From:** Larry Baker

**Fax:** (907) 465-2293

**Date:** February 10, 2001

**Re:** Testimony - HB 56

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Lisa-

Thanks for your continual efforts to contact me so that we might visit about HB56. I appreciate the efforts of your staff to allow me to present telephonic testimony on Wednesday from Florida. I had fully intended to be in Juneau when this matter came before your committee, however I have a previously scheduled national board meeting next week in Florida. I would appreciate you providing copies of my testimony to members of your committee.

Thanks again Lisa, I look forward to presenting my views on this matter on Wednesday, February 14<sup>th</sup> at 3:15 p.m. (Alaskan) and 7:15 p.m. (Eastern) time.

A handwritten signature in black ink, appearing to read "Larry Baker".

## Testimony

Of

Larry Baker, President

Burger King of Alaska

House Labor &amp; Commerce Committee

February 13, 2001

Chairman Murkowski, Members of the House Labor & Commerce Committee, it is my distinct pleasure to be with you today to present my views on HB 56, "An Act Relating to Minimum Wages". My name is Larry Baker, a 33 year Alaskan resident of Anchorage. I appear before you today as a concerned business owner. My company Burger King of Alaska has been doing business in Alaska for the past 26 years and is one of the Top 40 employers in the State of Alaska. We do business in 13 communities in the State of Alaska from Prince of Wales Island in Southeast Alaska to Nome in the Northwest portion of our State. Our businesses stretch from Dutch Harbor on the Aluetian Chain to Fairbanks in the Interior of Alaska. I am truly a constituent of each member of this Committee as we do business in each of your legislative districts. My business is perhaps the largest employer of young teenage employees in State of Alaska and would be dramatically impacted by the enactment of this proposed legislation.

Let me first address my general assessment of a minimum wage increase for our employees. Instead of increasing the level of economic well being for less-skilled workers, which it is purported to help, it wreaks havoc through a series of disincentives. In recent congressional testimony, Dr. Richard Burkhauser of Cornell University said that "most minimum wage workers are not heads of families but are rather second or third wage earners in families". In fact, the Bureau of Labor Statistics reports that 85% of those who would be affected by a minimum wage hike either live with relatives, are childless and live alone or have a working spouse. The few heads of households working full time at minimum wage also qualify for means-tested assistance such as Earned Income Tax Credit and Medicaid. Even a one-dollar-per-hour hike can increase the effective tax rate on these cash equivalent benefits enough to leave the employees with literally no net gain. New research from Professor Daniel Shaviro of New York University Law School shows that a teenager or childless adult under 25 would take home approximately \$1,500 of a \$1.00 minimum wage hike over a year. By contrast a single mother of two, working full time, and receiving public assistance, would enjoy only \$52 of the \$2,000 a year in extra income.

Wage mandates causes the most harm to the profitability of small businesses, which ironically are responsible for over 80% of net new jobs. When wages are forced up, employers also raise the bar on the skills which are needed to be hired. As a result, the least skilled often will lose their jobs through what Dr. Kevin Lang of Boston University calls the "displacement effect". According to Dr. Lang, "Minimum wage increases induced a shift toward teenage workers and students and away from non-students and adults. The competition from higher-quality workers makes low-skill workers worse off". A minimum wage increase also creates market wage ripples for higher-paid employees who now argue "me too". As an employer's expenses go up accordingly, there will be even more displacement of minimum wage employees whose value vs. cost to the business continues to decline. Unfortunately, the resultant job loss among low-skilled adults strips the dignity and future earning capabilities of these workers.

Now let me address my greatest concerns if this legislation were to be enacted. First, AAC 16.010 (1) (F) and (7) (E), which would be dramatically impacted by this legislation. The Administrative Code states in this section:

"In this chapter and in AS23.10.050-23.10.150, unless the context requires otherwise (1) "administrative employee" means an employee (F) who performs along specialized or technical lines requiring special training, experience or knowledge and does not devote more than 20 percent, or in the case of a retail or service establishment who earns at least two and one half times the state minimum wage per hour for the first 40 hours of employment each week and who does not devote more than 40 percent of the employee's weekly hours to activities that are not described in this paragraph or paragraphs (7) or (11) of this section;" Similar language appear in (7) (E) of the administrative code.

In other words if you were to pass HB56 you would be mandating a wage increase for not only minimum wage employees but management personnel as well. Under the current law a management person who contributes more than 20 percent of their time in management responsibilities has a base salary of \$29,380 (2080 hours per year X \$5.65 per hour X 2.5 times = \$29,380). Under the proposal put forth in HB56 you would be mandating a 13.2% increase in management base salaries (2080 hours per year X \$6.40 per hour X 2.5 times = \$33,280). In the second year you would be mandating an increase to management employees of an additional 7.8%. The base salary for these employees would then increase from current \$29,380 to \$35,880 – a 21% increase in wages mandated by the implementation of this legislation for administrative and executive employees. If the committee decides to pass HB56 on to the next committee of referral, and I do not support that action, the least they should do is amend the current law to exclude the 20 percent rule and the mandating of 2.5 times the minimum wage for administrative and executive employees. I would recommend you amend HB56 to delete AAC 15.910 (1) (F) and (7) (E) if you decide to refer this legislation to the next committee.

Secondly, HB56 mandates an increase in AAC 15.125, the Minimum Wage Exemption for Student Learners. AAC15.125 © states: A wage rate authorized under this section will not be less than 75 percent of the minimum wage established under AS 23.10.065. Student Learners (commonly referred to as a Training wage in most States) needs to be amended if you are to move forward with this legislation. Student Learners start their employment without any skills whatsoever and to mandate a minimum wage increase on businesses for these employees is grossly unfair. This section of the code will need significant amendments if you decide to move forward with this legislation. Additionally the code does not stipulate an age range (most states are age 14 thru 18) for these Student Learners and has other provisions placing such a burden on employers that it is virtually impractical to utilize in the manner it was intended. The purpose of this code was to provide a training environment for entry level teenage employees. Again, if you decide to refer HB56 to the next committee of referral, AAC 15.125 needs to be amended in order that it might be utilized to help teenage Student Learners to acquire basic work skills as it was intended.

In summary, I oppose HB56 for the reasons I have articulated in this testimony to the committee. If the committee decides in their infinite wisdom to recommend this bill to the next committee of referral, I would respectfully request that you at least amend the legislation to correct the inequities that currently exist in the law and would result in making a mandated minimum wage even more ominous than they are at the present time. Madam Chairman thank you for allowing me to provide testimony to the committee, I would be pleased to answer any questions.

## **PRESS RELEASE**

### **LABOR FILES NEW MINIMUM WAGE INITIATIVE**

Offices of Alaska AFL-CIO  
2501 Commercial Dr.  
Anchorage, AK 99501

For immediate Release: February 16, 2001

Today, Mano Frey, President of the Alaska AFL-CIO announced the filing of a new initiative to raise Alaska's minimum wage from its current wage of \$5.65 to \$7.15 per hour by January 1, 2003.

Alaska is continuing to fall behind the Northwest states of Washington, Oregon and California and "it is time to do the right thing for Alaska's lowest paid families by increasing our state's minimum wage", Frey states. Currently, Washington's minimum wage is \$6.72 per hour and Oregon's minimum wage is \$6.50 per hour.

The Alaska AFL-CIO's effort closely follows Democratic Governor Tony Knowles' legislative proposal last month to raise Alaska's minimum wage in two steps - to \$6.40 per hour effective October 1, 2001 and to \$7.15 per hour effective October 1, 2002, with a yearly adjustment for inflation thereafter.

"We strongly support the Governor's effort to raise Alaska's minimum wage, as well as the efforts by Republican Representative Pete Kott to make needed improvements. However, we are filing this initiative to counter the effort of some employers, primarily in the restaurant industry, who wish to apply a 'tip credit' to Alaska's minimum wage" stated Mano Frey. "It is truly a shame that a few employers and a few legislators have nothing more to do than to spend their time trying to deny a hard working waiter or waitress a 40 cent tip".

Two years ago, the Alaska AFL-CIO attempted to place a similar initiative on the 2000 General Election ballot that fell short by just a few hundred signatures. "We tried to do in four and one-half months what is usually done in twelve months. This time we will make the deadline and the place the initiative before Alaska voters in the upcoming 2002 General Election".

Our previous polling on this issue showed that 75%-80% of Alaskan voters in every region on the State support an increase in the minimum wage. We will work hard to give them a chance to vote on this issue.

Contact Information: Mano Frey, Executive President  
(907) 272-4571

# ALASKA AFL-CIO

2501 Commercial Drive · Anchorage, Alaska 99501 · 907-258-6284 · Fax 274-0570

**MANO FREY**  
Executive President



**BRUCE LUDWIG**  
Secretary / Treasurer

February 14, 2001

The Honorable Fran Ulmer  
Lieutenant Governor  
State of Alaska  
P.O. Box 110015  
Juneau, AK 99811

OFFICE OF THE

FEB 15 2001

LIEUTENANT GOVERNOR

Re: An Act to Increase Alaska's Minimum Wage

Dear Lieutenant Governor Ulmer:

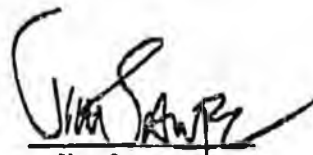
Please find the enclosed Sponsor's Application for Certification of Initiative Petition on the above referenced subject and a check in the sum of \$100.00 made payable to the State of Alaska.

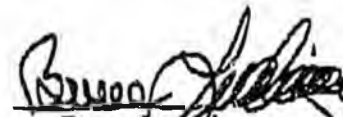
The Prime Sponsors of the Initiative Committee are Mano Frey, Anchorage; Jim Sampson, Fairbanks and Bruce Ludwig of Juneau, Alaska. The bill is attached with the signatures of over 100 qualified voters who will serve as sponsors for circulation purposes.

Should you have any questions regarding our application, please feel free to contact Jim Sampson, 1000 Bennett Road, Fairbanks, AK 99712. (907) 459-4897.

Sincerely,

  
Mano Frey

  
Jim Sampson

  
Bruce Ludwig

**SPONSOR'S APPLICATION  
FOR CERTIFICATION OF INITIATIVE PETITION**

I/We the undersigned, qualified voters(s) of the State of Alaska, hereby sponsor and make this application to the Lieutenant Governor of the State of Alaska requesting that the following bill be certified for the Initiative process.

For an Act entitled: "An Act to increase Alaska's minimum wage to \$7.15 per hour effective January 1, 2003 and thereafter, adjusted annually for inflation".

**BE IT ENACTED BY THE PEOPLE OF THE STATE OF ALASKA**

**Section 1. Findings and Declaration**

The people of the State of Alaska find and declare that:

- (a) An increase in Alaska's minimum wage will help ensure a minimum standard of living for the health and well being of every Alaskan,
- (b) Alaskans working full-time at the current minimum wage earn far below the federal poverty level for a family of three,
- (c) The U.S. West Coast states of Washington, Oregon and California already have a higher minimum wage than the State of Alaska,
- (d) A fair minimum wage indexed to the cost of living will help low-income workers keep pace with inflation.

**Section 2. Purpose**

The purpose and intent of enacting this legislation is to raise Alaska's minimum wage to \$7.15 per hour effective January 1, 2003 and thereafter adjusted annually for inflation".

**Section 3. Sec. 23.10.065 (a) Minimum Wages. (a) is amended by adding a new subsection. Except as otherwise provided for in law, an Employer shall pay to each employee a minimum wage, as established herein, for hours worked in a pay period whether the work is measured by time, piece, commission or otherwise. An employer may not apply tips or gratuities bestowed upon employees as a credit toward payment of the minimum hourly wage required by this section. Tip credit as defined by the Fair Labor Standards Act as amended does not apply to the minimum wage established by this section. Beginning with the passage of this Act, the minimum wage shall be \$7.15 per hour effective January 1, 2003 and thereafter, adjusted annually for inflation. The adjustment shall be calculated each September 30, for the proceeding January -- December calendar year, by the Alaska Department of Labor, using the CPI- Anchorage. Such adjustment shall take effect January 1 of the following year.**

**Section 4. If the minimum wage determined under Section 3 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. This amount shall be adjusted in subsequent years by the method established in Section 3.**

## HB 56 (minimum wage) Testimony

House L&C

~~January 29, 2001~~

Feb 14, 2001

Thank you Madam Chairman. My name is Jim Nordlund and I'm the Director of the Division of Public Assistance. I am pleased to testify in support of HB 56, Representative Kott's minimum wage bill.

For the past six years the Division of Public Assistance, our department, other state agencies and community organizations has been engaged in a remarkable transformation of welfare services in Alaska. Just like the rest of the nation, we recognized that the old program of cash assistance to poor families was not doing a good job of promoting family self-sufficiency. Welfare caseloads were growing and only marginal efforts were being made to encourage recipients to join the workforce. The old systems had rules that discouraged work, making welfare more attractive than employment.

In 1996, under the banner of welfare reform, the legislature passed sweeping changes to the welfare system by repealing the old AFDC program and instituting the Alaska Temporary Assistance Program. Key provisions of the new law were: ending the entitlement to cash assistance benefits, requiring work, and establishing a lifetime limit on benefits. Also, a key provision was to make work pay. Now it always pays to work, even if it is part time or at minimum wage, rather than to be solely on public assistance.

The results of our welfare reform efforts thus far have been quite remarkable. The caseload has come down 42% in the past four years. In FY97, the year before the new program started, we paid out \$115 million in cash benefits. In FY00, the fiscal year just completed we paid out \$64 million in benefits, savings of \$51 million.

Thousands of recipients have gone to work. There are three primary reasons: 1) because of the changes in law and policy, some of which I just mentioned; 2) because we were able to invest in services to help recipients to find and keep jobs, such as child care and case management; and 3) because we have had a healthy economy providing the jobs for recipients to move into.

Which brings to the reason why we support this measure enthusiastically. We have shown that we can move people into the workforce, but in order for them to stay working and off welfare, they must earn enough to support their families. Some former recipients do pretty well and earn a decent wage. But there are still many who earn only minimum wage, which is not enough to adequately support their families and move off welfare. Even if they work full time, their annual gross is still only \$11,700 at \$5.65/hr. Approximately 31% of the ATAP caseload are working, but not making enough to get off Temporary Assistance entirely. To the extent that more recipients will be working for a higher wage, the state will be paying out fewer dollars in welfare benefits.

Poverty level  
info →

We have submitted a fiscal note that shows our estimate that approximately 300 ATAP recipients earn between \$5.65 and \$6.40 and we project approximately 400 between \$5.65 and \$6.90. With an increase in wages these recipients will either receive lower welfare cash benefits or move off Temporary Assistance entirely. This will ratchet up to a savings in welfare benefit dollars paid of an estimated \$376,000 by FY04.

We would prefer the aspect of the Governor's bill that has an inflator for the cost of living that would benefit recipients to a greater degree in the out years and would yield savings closer to a million dollars.

But, this bill is an excellent start. By passing HB56 you will contribute to the continued success of welfare reform in Alaska. I thank Rep. Kott for introducing it and urge the committee to move it along the legislative process. Thanks.

Questions?



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## Accountant's Corner

### Take Advantage of Tip Credit

By Ronald L. Noll, MS, CPA

Complements of  
Representative Harry Crawford



If you employ tipped employees, you are entitled to a credit against income taxes. The credit is figured using FICA taxes paid on reported tips and wages that exceed the minimum wage requirement. For example, if you pay your wait staff \$2.13 per hour, figure an additional \$2.12 per hour of tips to bring the wage up to the standard minimum wage (\$4.25). All additional tips are then eligible for the tip credit of 7.65%.

Beware, however, that the tip credit amount is added to profits, thus increasing your income tax liability. Credit the IRS and Congress for this bad idea.

The IRS is still conducting lots of tip audits. Be sure to complete Form 8027 correctly (due Feb. 28th). The form is designed to determine the percentage of tips on credit card sales compared to the tips on other sales. You are expected to report cash tips within 2% of the charged tips. More audits are generated because of improperly completed forms than all other causes. It has been reported that up to 75% of the restaurants covered by tip reporting rules don't file their 8027 Report. Be one of those who report!

Not all restauranters are required to file the 8027 report. You are required to file the 8027 with the IRS if you serve food and beverages for on-premises consumption; if tipping is customary in your establishment and you employ 10 or more full-time employees on a typical business day. A separate 8027 must be filed for each food or beverage establishment that meets these criteria.

A business is required to keep employee tip information for 4 years after the due date of the company tax return. Tipped employees are required to keep daily records of tips received. These records must include names and addresses, company name, tips received, tips shared with others and names of those individuals.

The Philadelphia District IRS is participating in a national tip study agreement. This is a program designed to pressure restaurant owners and at least 75% of their tipped employees to sign an agreement requiring 100% tip reporting. The local and national restaurant associations are violently opposed to this program because it holds restaurant owners for their employees' honesty. The National Restaurant Association is working very hard to change this. If the IRS does audit and finds tips under reported, the owner is liable for matching FICA accumulated during the past three years.

### **IRS Targets Restaurants**

The IRS is targeting cash businesses for audits. Restaurants are on the hit list. When the IRS audits a restaurant, the owners seem to be the ones under scrutiny. I have seen more audits investigating owners' personal bank accounts than business accounts. You are expected to explain the source of every deposit to your personal bank account, even though it is a business audit. The IRS is particularly keen on investigating currency deposits into your personal account.

The IRS is very strict concerning skimming cash. For example, if you deduct a vacation as a business expense, the IRS will simply recalculate your taxes, add a penalty and interest and usually forget it. On the other hand if you under-report sales, the IRS will consider criminal charges. Furthermore, if you have under reported more than \$10,000 in each of the last three years, the IRS will try to send you to jail.

I know of a restaurant owner charged criminally for skimming and spent \$45,000 in legal fees - about double the taxes he saved, not to mention the three years of worry and stress he endured. Obviously, there are better ways of making money than cheating the IRS.

If you are audited, get professional help. A competent accountant, CPA or enrolled agent will make your audit much easier. Hiring an attorney usually makes the auditor suspicious. The auditor usually wants a face-to-face meeting with the taxpayer. Your accountant should help you prepare for questions likely to be asked. Never volunteer information. Answer all questions directly, but as brief as possible.

### **Personal Property/Real Estate Reports Due April 15.**

Personal property and real estate tax bills have been mailed. You should have also received a form from your county that requests a listing of property used in your business as of January 1, 1991. Send these reports back by April 15. They are the basis for the bills you receive next year.

It pays to review your asset listing. Make note of old equipment thrown away, sold or otherwise disposed. Don't pay property taxes on assets you no longer own. Also, don't list vehicles, buildings, inventory or improvements to the building which can't be removed. The county depreciates the cost before calculating your tax, so indicate the purchase date when filing forms.

### **IRS Releases Mileage and Per Diem Rates for 1996**

The IRS has released the mileage and per diem rate for 1996. The 1996 standard business mileage rate increased from \$.29 to \$.30. Per diem rate for lodging is \$116, meals and incidentals per diem rate is \$36 and lodging meals and incidentals is \$152.

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*Ronald L. Noll, MS, CPA, is President of Noll & Company, Inc., a Certified Public Accounting firm in Malvern specializing in restaurant accounting. If you have suggestions, questions or comments, please send them to Noll & Company, Inc., Certified Public Accountants, 18 E. Lancaster Avenue, Malvern, PA 19355, or call us at (610) 644-3750.*

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# Coalition on Human Needs

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## MINIMUM WAGE FACTS -- TALKING POINTS

Office of Sen. Edward Kennedy (D-MA): 11/5/99

### Impact of Raising the Minimum Wage

The new Democratic proposal is to raise the minimum wage by a dollar an hour over two years, from \$5.15 to \$6.15 an hour. This increase would happen in two steps. The results of an increase in the minimum wage would be:

1. 11.4 million workers will get a pay increase as a result of an increase in the minimum wage.
2. With the proposed new minimum wage a full-time worker would have an annual income of \$12,792. An increase of over \$2,000 each year.
3. With the proposed minimum wage increase the real value of the minimum wage in 2001 will only be up to the level it was in 1982.
4. If the minimum wage is *not* increased by the turn of the century, it will lose the value gained by the 1996 increase -- every year it is not increased the minimum wage continues to lose value and workers fall farther and farther behind.

### Impact on Families if the Minimum Wage Increase Becomes Law

The Democratic proposal to raise the minimum wage by \$1.00 would generate \$2,000 in additional income for minimum wage workers. Two thousand dollars would have an enormous impact on minimum wage workers and their families. It would put enough money in their pocket to buy:

- 7 months of groceries;
- 5 months of rent;
- almost 10 months of utilities; or
- 1½ years of tuition and fees at a 2-year college

*(Based on expenditure patterns of an average family of four)*

### Who will Benefit from a Minimum Wage Increase?

- 11.4 million workers would directly benefit from the proposed minimum wage increase
- 40 hours a week - 52 weeks a year at minimum wage = \$10,700/year
- 70% (8.04 million) of the workers who would benefit are adults age 20 and over
- 59% (6.8 million) are women
- 46% (5.2 million) have full-time jobs
- 15% (1.7 million) are African American

- 18% (2.1 million) are Hispanic American
- 46% (5.3 million) work in retail
- 27% (3.1 million) work in the service sector
- 84% (1 million) of the heads of households earning between \$5.15 - \$6.14 are women
- 40% of minimum wage workers are the sole breadwinners in their families.
- More than half of teenagers earning the minimum wage are in families with below average incomes.

### Number of African Americans Who Would Benefit

How raising the minimum wage will benefit African Americans:

- In 1998, 1.75 million African Americans earned \$5.15 - \$6.14 per hour, or 18% of hourly-paid African American workers
- Most of these low wage workers are female by almost a 2:1 ratio.

Raising the minimum wage would provide a modest pay raise to the poorest working African Americans, many of whom are raising children.

### Number of Hispanic Americans Who Would Benefit

How raising the minimum wage will benefit Hispanic Americans:

- 2.1 million Hispanic Americans are paid \$5.15 - \$6.14 per hour, or 23% of all hourly-paid Hispanic workers (compared with 16% of whites and 18% of African Americans).
- Hispanic women are very likely to be paid low wages; 28% of hourly-paid Hispanic women are paid \$5.15 - \$6.14 per hour.

Raising the minimum wage would provide a modest raise to the poorest working Hispanic Americans, many of whom are raising children.

### Effects on Minority Youth

Raising the minimum wage would not cause job loss for minority youth.

- Studies of minimum wage increases fail to show disproportionate impacts for minority youth.
- Since the increase in 1996-97 took effect, unemployment among African-American teens is down and employment is up.

### Impact of Previous Raise in the Minimum Wage

- Effects on those making minimum wage. 60% of the benefit of the 1996 and 1997 increases went to families in the bottom 40% of income groups. One-third of the benefit went to the poorest families – those in the bottom 20%. Nearly three-quarters of those who benefited were adults over the age of 20.
- Effects on the economy. The economy is at its strongest in over three decades. Across the country, unemployment is down and employment is up. Data from the Bureau of Labor Statistics has shown that since the 1996 and 1997 increases took effect:

- the unemployment rate has fallen to 4.1%
- for teenagers, African-Americans, Hispanic Americans, and women unemployment is down and employment is up
- 9.1 million new jobs have been added (at a pace of over 240,000 per month),
- over 1.1 million new retail jobs have been added
- almost 400,000 new restaurant jobs have been added; and
- more than 4.7 million new service industry jobs have been added

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**Coalition on Human Needs**  
1120 Connecticut Ave, NW, Suite 910  
Washington, D.C. 20036  
(202) 223-2532  
Fax (202) 223-2538  
Questions about CHN: [chn@chn.org](mailto:chn@chn.org)



Alaska Restaurant & Beverage Association  
330 E. 4th Avenue, Suite 201 • Anchorage, Alaska 99501 • Phone (907) 929-4242 • Fax (907) 222-2995

## ***PLEASE VOTE NO ON HB56, MINIMUM WAGE***

*Below, are excerpts from public testimony, interviews and letters to the editor;*

*2/12/01, Anchorage Daily News Letter to the Editor*

*"Mandating another wage increase will force us and other small businesses to further cut back on job opportunities for many teenagers, welfare recipients who are seeking to enter the work force, and senior citizens who work part time - i.e., the very people the proposed increases are reportedly intended to help." By Dale Martens, president Denali Foods*

*2/2/01, Anchorage Daily News Letter to the Editor,*

*"A raise in the minimum wage will hurt businesses, customers and employees statewide. Prices will increase, worker benefits will decrease, and worker hours of part-time employees will be reduced." By Fred Rosenberg, Red Robin Restaurant of Alaska*

*2/16/01, Anchorage Daily News(WHO PAYS FOR MINIMUM WAGE HIKE?)*

*"Profit margins are so slim, we'd have to raise prices or cut benefits." Laile Fairbairn, manager and co-owner, Snow City Cafe*

*2/13/01, Testimony of Larry Baker, President Burger King of Alaska, House Labor & Commerce Committee,*

*Wage mandates causes the most harm to the profitability of small businesses, which ironically are responsible for over 80% of net new jobs. When wages are forced up, employees also raise the bar on the skills which are needed to be hired. As a result, the least skilled often will lose their jobs through what Dr. Kevin Lang of Boston University calls the "displacement effect."*

*2/2/01, Bill Pargeter, Partner, Applebee's Neighborhood Grill & Bar,*

*"The evidence indicates that workers who initially earn near the minimum wage are most adversely affected by minimum wage increases. Higher-wage workers, in contrast, are little affected. Although wages of low-wage workers increase, hours and employment decline, and the combined effect of these changes is a decline in earned income. This movement will only increase the poverty roles."*

*Member of the Alaska Hospitality Alliance*



## Alaska Division of Elections

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# INITIATIVE PETITION BILL LANGUAGE by Petition Sponsors

## Petition ID: 01MNWG Bill Increasing Alaska's Minimum Hourly Wage

Posted 10/24/01

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### Proposed Bill:

**BE IT ENACTED BY THE PEOPLE OF THE STATE OF ALASKA**

#### Section 1. Findings and Declaration

The people of the State of Alaska find and declare that:

- (a) An increase in Alaska's minimum wage will help ensure a minimum standard of living for the health and well being of every Alaskan,
- (b) Alaskans working full-time at the current minimum wage earn far below the federal poverty level for a family of three,
- (c) The U.S. West Coast states of Washington, Oregon and California already have a higher minimum wage than the State of Alaska,
- (d) A fair minimum wage indexed to the cost of living will help low-income workers keep pace with inflation.

#### Section 2. Purpose

The purpose and intent of enacting this legislation is to raise Alaska's minimum wage to \$7.15 per hour effective January 1, 2003 and thereafter adjusted annually for inflation.

#### Section 3. AS 23. 10.065(a) is repealed and reenacted to read:

(a) Except as otherwise provided in law, an employer shall pay to each employee a minimum wage, as established herein, for hours worked in a pay period whether the work is measured by time, piece, commission or otherwise. An employer may not apply tips or gratuities bestowed upon employees as a credit toward payment of the minimum hourly wage required by this section. Tip credit as defined by the Fair Labor Standards Act as amended does not apply to the minimum wage established by this section. Beginning with the passage of this Act, the minimum wage shall be \$7.15 per hour effective January 1, 2003 and thereafter, adjusted annually for inflation. The adjustment shall be calculated each September 30, for the preceding January-December calendar year, by the Alaska Department of Labor, using the CPI-Anchorage. Such adjustment shall take effect January 1 of the following year.

**Section 4.** If the minimum wage determined under Section 3 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. This amount shall be adjusted in subsequent years by the method established in Section 3.

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**Initiative Petition Status Report**



**Alaska Division of Elections Home Page**