

Honolulu, Hawaii  
**March 21**, 2014

RE: S.B. No. 2609  
S.D. 1  
H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred S.B. No. 2609, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO MINIMUM WAGE,"

begs leave to report as follows:

The purpose of this measure is to update the minimum wage by:

- (1) Increasing the minimum wage by a specified amount from January 1, 2015, to January 1, 2017; and
- (2) Changing the tip credit amount.

The Department of Human Services; Hawaii State Commission on the Status of Women; a Councilmember of the Kauai County Council; councilmember from the fourth district of the City and County of Honolulu; PHOCUSED; League of Women Voters of Hawaii; Dr. Martin Luther King Jr. Coalition of Hawaii; Catholic Charities Hawaii; National Employment Law Project; Planned Parenthood of Hawaii; Hawaii Alliance for Community-Based Economic Development; International Longshore and Warehouse Union, Local 142; Hawaii Alliance for Retired Americans; Partners in Care; Moveon, Honolulu Council; Pride At Work Hawaii; Hawaii State AFL-CIO; Hawaii Building and Construction Trades Council, AFL-CIO; International Organization of Masters, Mates & Pilots; Duke's Canoe Club Kauai; Marine Engineers' Beneficial Association; Community Health Outreach Work to Prevent AIDS Project; Democratic Party of Hawaii;



Hawaii Women's Coalition; Laborers' International Union of North America, Local 368; Chamber of Commerce for Persons with Disabilities; and several individuals provided testimony in support of this measure. The Chamber of Commerce of Hawaii; Maui Chamber of Commerce; Hawaii Food Industry Association; Times Supermarkets; Big Save Markets; National Federation of Independent Business; Gyotaku Japanese Restaurants; The Hawaii Business League; Hawaii Petroleum, Inc.; Minit Stop Holdings, LLC; Aloha Petroleum, Ltd.; Envisions Entertainment & Productions, Inc.; VIP Foodservice; Hawaii Restaurant Association; and a few individuals provided testimony in opposition to this measure. The Department of Labor and Industrial Relations; Office of Community Services; Executive Office on Early Learning; Pacific Alliance to Stop Slavery; Hawaii Appleseed Center for Law and Economic Justice; T S Restaurants; Hawaii State Teachers Association; SAG-AFTRA Hawaii Local; HealthyPacific.Org; Hawaiian Affairs Caucus of the Democratic Party of Hawaii; Unite Here! Local 5; Hawaii Regional Council of Carpenters; Women's Caucus of the Democratic Party of Hawaii; Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO; Americans for Democratic Action Hawaii; Hawaii Primary Care Association; Leilani's On the Beach; Anna Miller's Restaurants; Hula Grill; Kimo's Restaurant; Grassroot Institute of Hawaii; Progressive Democrats of Hawaii; Hawaii Lodging & Tourism Association; Hawaii Independent Energy, LLC; Maui Hotel & Lodging Association; Duke's Canoe Club Waikiki; Duke's Beach House Maui; University of Hawaii Professional Assembly; Kona-Kohala Chamber of Commerce; Keoki's Paradise; and a few individuals provided comments on this measure.

Your Committee has amended this measure by:

- (1) Deleting its purpose section;
- (2) Changing the amounts of the minimum wage as follows:
  - (A) \$7.75 per hour beginning January 1, 2015;
  - (B) \$8.50 per hour beginning January 1, 2016;
  - (C) \$9.25 per hour beginning January 1, 2017; and
  - (D) \$10.10 per hour beginning January 1, 2018;
- (3) Increasing the amount of the tip credit allowed as follows:



- (A) 50 cents per hour beginning January 1, 2015;
  - (B) 75 cents per hour beginning January 1, 2016; and
  - (C) \$1 per hour beginning January 1, 2017;
- (4) Specifying that for each taxable year the tip credit shall become available in the calendar week after the employee's wages and tips exceeds 250 percent of the poverty level as determined by the Director of Labor and Industrial Relations and shall remain available for the remainder of the calendar year;
  - (5) Requiring the Director of Labor and Industrial Relations to establish by March 1 of each calendar year the poverty level threshold to be used for determining the tip credit for that calendar year;
  - (6) Requiring the Director of Labor and Industrial Relations to use the poverty guidelines for Hawaii of the United States Department of Health and Human Services to establish the applicable poverty level threshold that will trigger applicability of the tip credit;
  - (7) Changing its effective date to July 1, 2014; and
  - (8) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee notes that President Obama's decision to exercise executive power to pay federal contractors at the rate of \$10.10 per hour beginning in 2015 has increased pressure to follow suit and raise the minimum wage to over \$10 per hour. Such an adjustment would be justified as the minimum hourly wage in Hawaii has not increased since January 1, 2007. However, recognizing the interconnected nature of Hawaii's economy and the difficulty that some small businesses may have with absorbing a rapid increase, your Committee has recommended a more moderate rate of increase over the next four years to enable businesses to plan for these increases.

Your Committee has heard much discussion on the issue of a tip credit, which places a portion of the cost of employee pay directly on the generosity of the customer. This issue is generally limited to employers in the restaurant industry who have informed your Committee of the high hourly rate of pay earned by



tipped employees, which is usually a direct function of the per person cost of a meal. Your Committee sought to reconcile the great disparity in the per person cost of meals in the wide range of restaurant establishments by providing an increase in the amount of the tip credit allowed and by creating a "poverty trigger" that would ensure that tipped employees earn at least 250 percent of the United States Department of Health and Human Services poverty guideline for Hawaii before an employer may claim the tip credit.

Your Committee further notes that it is sensitive to concerns that an increase in the minimum hourly wage may be accompanied by a higher cost of living. However, your Committee notes that prices of goods and services continue to rise and the buying power of minimum wage earners continues to diminish.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2609, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2609, S.D. 1, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committee on Labor & Public  
Employment,

  
MARK M. NAKASHIMA, Chair



State of Hawaii  
House of Representatives  
The Twenty-seventh Legislature

HSCR 1182-14

**Record of Votes of the Committee on Labor & Public Employment**

Bill/Resolution No.: <b>SB 2609, SBI</b>	Committee Referral: <b>LAB, FIN</b>	Date: <b>3/18/14</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
LAB Members	Ayes	Ayes (WR)	Nays	Excused
1. NAKASHIMA, Mark M. (C)	/			
2. YAMASHITA, Kyle T. (VC)		/		
3. AQUINO, Henry J.C.	/			
4. ICHIYAMA, Linda	/			
5. TAKAYAMA, Gregg	/			
6. ING, Kaniela				/
7. TAKUMI, Roy M.		/		
8. YAMANE, Ryan I.	/			
9. JOHANSON, Aaron Ling		/		
<b>TOTAL (9)</b>	<b>5</b>	<b>3</b>	<b>—</b>	<b>1</b>
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <small>_____ Committee acronym(s)</small>				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office    Duplicate (Pink) – HMSO				