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**STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

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February 25, 2019

To: The Honorable Donovan M. Dela Cruz, Chair,
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair, and
Members of the Senate Committee on Ways and Means

Date: Monday, February 25, 2019

Time: 10:25 a.m.

Place: Conference Room 211, State Capitol

From: Scott T. Murakami, Director
Department of Labor and Industrial Relations (DLIR)

Re: S.B. No. 789 S.D. 1 RELATING TO MINIMUM WAGE

I. OVERVIEW OF PROPOSED LEGISLATION

SB789 SD1 amends the Wage and Hour Law, chapter 387, Hawaii Revised Statutes (HRS), to increase the minimum wage to \$12.00 per hour beginning January 1, 2020 and \$15.00 per hour beginning January 1, 2023. The measure also adds a new tax credit in chapter 235, HRS, for qualified small businesses

DLIR supports the intent of this measure.

II. CURRENT LAW

The current minimum wage is \$10.10 per hour. Act 82 (SLH, 2014) incrementally increased the minimum wage from \$7.25 to \$10.10 an hour in four consecutive years (2015-2018).

III. COMMENTS ON THE SENATE BILL

The Department supports the intent of this measure that strikes a balance between the interests of employees and employers by increasing the minimum wage in two increments over three years while providing a tax credit to help qualified small businesses adjust to the increased labor cost. The Department defers to the Department of Taxation on the technical aspects of section one of the bill pertaining to a tax credit.



O`ahu County Committee on Legislative Priorities (OCCLP)

COMMITTEE WAYS AND MEANS
Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair

DATE: Monday, February 25, 2019
TIME: 10:30 a.m.
PLACE: Conference Room 221
State Capitol

RE: SB 789 Relating to Minimum Wage

To the Honorable Donovan M. Dela Cruz, Chair; the Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and Members of the Committee on Ways and Means:

I am Melodie Aduja, Chair of the O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i. Mahalo for this opportunity to submit testimony on SB 789. The O`ahu County Committee on Legislative Priorities ("OCCLP") hereby submits its testimony in **SUPPORT of SB 789, relating to Minimum Wage.**

SB 789 provides that except as provided in section 387-9 and this section, every employer shall pay to each employee employed by the employer, wages at the rate of not less than: (1) \$6.25 per hour beginning January 1, 2003; (2) \$6.75 per hour beginning January 1, 2006; (3) \$7.25 per hour beginning January 1, 2007; (4) \$7.75 per hour beginning January 1, 2015; (5) \$8.50 per hour beginning January 1, 2016; (6) \$9.25 per hour beginning January 1, 2017; (7) \$10.10 per hour beginning January 1, 2018; (8) \$12.00 per hour beginning January 1, 2020; and (9) \$15.00 per hour beginning January 1, 2023."

DPH believes that the current minimum wage is a starvation wage and must be increased to a living wage. No one who works full time should have to raise a family in poverty. We should earn at least \$15 and hour (preferably \$17 an hour) and have the right to form or join a union and will work in every way we can – in Congress and the Federal government, in the State Legislature and with the private sector – to reach this goal. We also support creating a fair wage for all workers by ending the sub-minimum wage for tipped workers and people with disabilities. *Democratic Party of Hawai`i Platform (2018), p. 5, ln. 37-42.*

For the foregoing reasons, i.e., that the current minimum wage is a starvation wage and should be increased to a living wage; that no one who works full time should have to raise a family in poverty; and that employees should earn at least \$15 an hour (preferably \$17 an hour), OCCLP supports SB 789 and urges its passage out of the Committee on Ways and Means.

Mahalo nui loa
Me ka `oia`i`o

/s/ Melodie Aduja

Melodie Aduja

Chair, O`ahu County Committee on Legislative Priorities of the Democratic Party of
Hawai`i

Ph. (808) 258-8889

Email: legislativepriorities@gmail.com

SB-789-SD-1

Submitted on: 2/22/2019 12:48:57 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Golojuch Jr	Testifying for LGBT Caucus of the Democratic Party of Hawaii	Support	Yes

Comments:

Aloha Senators,

The LGBT Caucus of the Democratic Party of Hawaii supports the passage of SB 789 SD1.

One of the causes of homelessness in Hawaii is our fellow residents being unable to pay their rent on their salary. This bill help the most vulnerable in our society and help lift people out of extreme pavery.

Mahalo for your consideration and for the opportunity to testify STRONG support of SB 789 SD1.

Mahalo,

Michael Golojuch, Jr.
Chair
LGBT Caucus of the Democratic Party of Hawaii

SB-789-SD-1

Submitted on: 2/22/2019 12:07:11 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Devin Wolery	Testifying for PCG Enterprises LLC	Oppose	No

Comments:

I own a small business in hawaii for the last 11 years. Increasing my employee count over the years to a max of 7.

Over the last few years of increasing min wage. we have had to raise our prices and then still make less money. As the taxes we have to pay on the higher wages also eat at us as well.

Raising min wage does not make minimum wage workers any better off. them getting better education or trade school's will get them more money. If they have no skills they should not be guaranteed money. All this does is hurt small business more, and increase inflation.

i STRONGLY OPPOSE THIS BILL



**TESTIMONY OF TINA YAMAKI
PRESIDENT
RETAIL MERCHANTS OF HAWAII
February 25, 2019**

Re: SB 789 SD1 RELATING TO MINIMUM WAGE

Good morning Chairperson Dela Cruz and members of the Senate Committee on Ways and Means. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii (RMH) is a statewide not-for-profit trade organization is committed to support the retail industry and business in general in Hawaii. The retail industry is one of the largest employers in the state, employing 25% of the labor force.

The Retail Merchants of Hawaii strongly opposes SB 789 SD1 Relating to Minimum Wage. This measure increases the minimum wage to \$12.00 per hour beginning 1/1/2020 and \$15.00 per hour beginning 1/1/2023, and provides an income tax credit for qualifying small businesses to offset the increase in the minimum hourly rate that employers must pay employees.

While we appreciate income tax credit, the most harmful consequence of this minimum wage increase will be on our smaller retailers which face constant and intense competition, not only from other retailers, but also from internet sellers.

The impact of a minimum wage increase is exponential, causing a compression of wages between newly hired/inexperienced workers and the veteran/experienced employees. Mandating scheduled adjustments at the lowest tier of the employment scale causes a tremendous and prohibitive increase in overall employment costs. Furthermore, an increase in payroll costs also leads to increases in benefit costs that are based on wages, including unemployment insurance, Social Security and Medicare, workers' compensation premiums, and vacation and holiday pay. We must also factor in that Hawaii mandates healthcare coverage for workers. This is also another benefit that is a cost to employers that we are having to make adjustments for by restructuring our business plans and budget to accommodate the rising cost of healthcare and other mandated expenses.

Over the past few years, the retail industry has seen reasonable growth, with existing companies opening new locations and new retailers entering the marketplace. New retail jobs are being created, with compensation levels based on the current economic conditions, reemployment regulations, and the business philosophy of the employer. Increasing the minimum wage is counterproductive to any further growth of our industry and Hawaii.

We respectfully ask that you hold this measure. Mahalo again for this opportunity to testify.



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**HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211
MONDAY, FEBRUARY 25, 2018 AT 10:25 A.M.**

To The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and
Members of the Committee on Ways and Means,

TESTIMONY IN OPPOSITION TO SB 789 SD1 RELATING TO MINIMUM WAGE

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce with approximately 650 members. I am writing share our opposition to SB 789 SD1.

We all support a living wage and helping employees to earn a living wage. However, by most reports, a living wage in Hawaii would be \$31-\$32 per hour or more. The State has continuously tried to address this issue by increasing the minimum wage and yet, things have not changed. We need to stop doing things the same way and expecting different results. Instead, it is important to look at new ways to address the issue versus arbitrarily raising the minimum wage year after year, which is detrimental to local businesses. We suggest research and creating public, private and nonprofit partnerships to explore how we can bring down Hawaii's high cost of living and create needed affordable housing and rentals.

Further, the impacts of the previous minimum wage increase, which took businesses to \$10.10 per hour in January 2018, are not understood. Before proposing further increases, we urge the State to have an analysis on how minimum wage increases will impact businesses and how the effects will trickle down. In a study on the increased minimum wage in Seattle by the University of Washington, Evans School of Public Policy & Governance, in 2017 65% of employers raised their prices or added/ increased fees to consumers and 29% of employers reduced employee hours or decreased employees to account for the added labor costs. However, many businesses are locked into annual or multi-year contracts and cannot pass this cost off, which equates to a loss on net profits, and businesses increasing their costs to account for the rising minimum wage only makes the cost of goods and, therefore, the cost of living higher. **For more information on how a minimum wage increase will affect Maui businesses, please see the attachment.**

Mahalo for the opportunity to testify on this matter. We ask that this bill be deferred.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



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"I currently have two full-time staff at \$20/hour who want \$25/hour. My other three staff are part-time and they are paid \$13-\$15 per hour. If I raise their pay, then I have to raise the higher paid staff and this is a new business for me and my revenues can't support that yet. Please provide exemptions for small businesses of fewer than 25 employees. Remember, at least 60% of our revenues go back into the local economy versus big businesses."

-Mary Albitz, Island Art Party

"I am writing on behalf of a small, outer island start-up company that has beaten the failure odds and is now in its fifth year in business. We are still standing, but we are still struggling to be profitable. We have grown our revenues and they have tripled since we started, however, in year five of being in business, we still have not been a profitable business. As the owner, I still substitute teach and work side jobs to cover my bills. There are additional costs of running a small business in a remote location that has many added barriers that mainland companies do not have. We have to pay the high cost of shipping products to an outer island and much of the supplies we need are not readily available. The cost is then passed onto the local customer and tourists who would like to order our product to be shipped to them. In the midst of our small business growing pains, we have hired and outsourced our HR to a HR company. We already pay 30% in HR fees and benefits on top of the salary and hourly wages being paid. Also, the food industry has a high turnover. We do give small raises as we can afford to. We try to meet with our staff once a quarter to check in, evaluate and give a small raise, if we can. **We will not survive a minimum wage raise.** To continue our business growth, we would need to look at co-packing options on the mainland, where the costs of goods and labor is lower or just close our business all together."

-Anonymous Maui Manufacturer

"I provide home medical equipment to people in their homes and this keeps them out of the hospital and out of nursing homes. It's the most cost effective way to provide help to people. Within that though are some market based differences. I have four masters: one is the federal government, one is the state government, one is the marketplace itself, and the final one is the internet. When you say you are just going to raise the cost to an employer and they can just pass it along, that doesn't work in my world. I have existing contracts that the federal government requires that I do things for a certain amount of money. The state totally supports those. Then if I tried to pass the costs through, I can only go so high and pass it through to private costs because the internet restricts what I can do. Finally, it's the marketplace itself. We are dealing with a 2% unemployment rate here on the island and it is really difficult to find anyone already. In other words, us employers are already paying as much as we can for people."

-Paul Gammie, Gammie Homecare



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“As a small business that has benefited from the services of the Maui ohana since the inception of our business, we just want to share that even though we are now in a position to pay higher wages to our employees than the current minimum wage in Hawaii, and even \$15 per hour if we must, we never would have been able to start our business if the minimum wage was already at \$15 per hour in the year we started our business. As our business has developed over the years, our labor needs have shifted from low or no-skill labor to job positions that require more and more skills. The implications for us as a more mature business, is that the \$15 minimum wage will prevent bootstrapped startups from entering the market to compete with us, which is a good thing for us, but not necessarily good for our economy. We believe the legislature should consider exploring other measures such as rent control or rent regulation, rather than further hampering Hawaii's small businesses with \$15 minimum wage.”

-Anonymous Maui Manufacturer

“Once upon a time, we were paying \$12 per hour, above the current minimum wage. We began paying \$15 per hour over 2 years ago and continue to start people at that level. However, if the minimum wage goes up to \$15 per hour, that will cause a significant increase in our company as all employees will expect to be equally bumped up and we are under landscape maintenance contracts (some for multiple years). Such an increase would not be able to be passed through and equate to a reduction in our already slim profit margins and be detrimental to the company.”

-Brian Kashima, Island Landscape

“The minimum wage increase in Seattle has failed miserably, has cost a lot of jobs and frankly, we already have a kiosk in McDonalds in Lahaina and I would imagine that we will be seeing much, much more of that as higher minimum wages become the norm. The other aspect is the minimum wage was never intended to be a career path. It was intended to be a path to a career.”

-Tim Means, Lahaina Divers

“I am all for people making more money. However, I don't like to be guided with a guideline on what I have to do. The reason being, it is not just a minimum wage that gets increased. It is the cost of doing business and the cost of labor also. We had a couple of instances where we were trying to hire a couple of new people and they weren't willing to work for the \$10.25 that we always start our people at and therefore, we chose not to hire anybody and just do with the employees we already have. We like to start our guys and gals at a certain wage level and then we train them and they move up the pay schedule very fast. So if they start at \$10.25, chances are if they catch on and learn the way we do things, they will be making \$15-\$20 per hour within the first year. So it [minimum wage increase] does put a strain on us in what direction we will go and I hope we have some choices in that area.”

-Debbie Finkiewicz, The Maui Closet Company



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Minimum Wage Position Statements

A Minimum Wage Is A Starting Wage

Hawaii residents face a high cost of living which can lead some to recommend increasing the Minimum Wage. However, the Minimum Wage is a starting wage for unskilled labor. It is very different from and should not be confused with a living wage which is paid to skilled workers with knowledge and experience that improves performance and adds value to the organization.

The Maui Chamber of Commerce finds that a majority of its members pay employees above the minimum wage for their skilled workforce. We support internships and training programs that help our youth and workers increase their skills to increase their income to a living wage and beyond.

Comparing Hawaii to Other States with Respect To A Minimum Wage Increase Dismisses Distinct Differences

Hawaii businesses face one of the highest costs of doing business in the nation. This includes higher labor costs, fuel and electric rates, health insurance and more. National models of \$15 per hour are being proposed that exceed the previous White House recommendation of \$10.10 per hour (with the Obama Administration) or the higher number being discussed of \$12/hour; however, Hawaii is now at \$10.10 per hour as of January, 2018. While this increase passed, it came with great controversy during the legislative session given national and global financial uncertainty and no economic analysis to predict the impact on businesses.

A Minimum Wage also creates what is known as a wage compression, meaning a compression between wages paid to unskilled labor and skilled labor that results in a wage inflation. Even employers who currently pay more than the minimum wage well understand that other employees will also expect a wage increase when new employees are automatically paid more, which raises wage costs across the board.

When considering Minimum Wage increases, the Maui Chamber of Commerce supports State analysis on the impacts to businesses, the economy and residents before passing a Minimum Wage increase as businesses will be hit with higher costs that do not equate to higher skill levels or improved productivity and those costs will be passed on to consumers. Studies show that rising consumer prices disproportionately hit those who can least afford to pay for it. Floating incomplete legislation comes at a tremendous cost to the taxpayers. Therefore, financial, economic and business studies should be conducted, understood and communicated to the public before any further Minimum Wage increases are enacted.



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Small Businesses Don't Have The Same Economies of Scale

Our County and State are made up of many small businesses who cannot take advantage of economies of scale that larger companies can without increasing costs.

While many of our Chamber members pay more than the current minimum wage and are willing to consider reasonable Minimum Wage increases, the Maui Chamber was unified with Chambers of Commerce across the state that even the \$10.10 per hour minimum wage increase (which went into effect January, 2018) would create a hardship for many businesses, particularly small businesses.

Close to 90% of our members are small businesses with 25 or fewer employees. While the economy is picking up, many are still operating with fewer employees than before, less financial resources, more difficulty in borrowing needed capital, and are struggling to keep up with rising costs that are beyond their control, especially rising health care costs. They need an environment where they can stabilize their business, then grow and thrive.

Unless government can prove how raising the Minimum Wage to beyond \$10.10 per hour will allow them to grow their business and create jobs (instead of eliminating internships and lower level positions and passing on higher costs to consumers) then the Maui Chamber of Commerce opposes any further increase and encourages a small business exemption.

We Support Focus On A Living Wage

A Minimum Wage increase is not the answer to reducing poverty. Of the 1.8 million people earning the minimum wage, only 20.8% of them are the head of their household. The rest are students or young adults. Many of those are part of households well above the poverty line. Reports show that we are talking 4% of the population.

The minimum wage was never meant to be living wage. It is an entry level, training wage. Employers pay more for skilled labor, which incentivizes employees to gain additional skills. Many workers, particularly youths, need the experience of having a job, learning the discipline of holding a job, developing a strong work ethic, gaining people skills (courtesy, being helpful), etc. These skills are important. Studies show that youths that started to work early in their lives were much better suited for the workforce as adults. With less opportunities available to them, they will be at a disadvantage when seeking a career.

Many elderly employees are retired, receiving social security, have spouses who receive a pension, etc. and are working to receive medical coverage. With a higher minimum wage increase, many of them will be lose their jobs and medical coverage when companies must cut expenses to survive.

Instead of arbitrarily increasing the Minimum Wage, the Maui Chamber of Commerce supports further investment in education and programs to increase skill levels as capable employees have more and better opportunities to make a Living Wage.



Board Members

President
Jason Okuhama
Managing Partner,
Commercial & Business Lending

Secretary
Marcus Kawatachi
Deputy Director,
Hawai'i Civil Rights Commission

Trina Orimoto
Clinical & Research Psychologist

Kaipo Kukahiko
Executive Director,
KEY Project

Miwa Tamanaha
Deputy Director,
Kua'āina Ulu 'Auamo

HACBED Staff

Brent N. Kakesako
Executive Director

Keoki Noji
Chief Operating Officer

Athena T. Esene
Bookkeeper & Office Manager

Foley Pfalzgraf
Program Specialist

Chelsie Onaga
AmeriCorps VISTA

Date: February 23, 2019
To: Senator Donovan M. Dela Cruz, Chair, Senator Gilbert S.C. Keith-Agaran, Vice-Chair, and members of the Committee on Ways and Means
From: Brent Kakesako, Hawai'i Alliance for Community-Based Economic Development (HACBED)
Re: Support for SB789 SD1 with amendments

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, and Committee Members,

The Hawai'i Alliance for Community-Based Economic Development (HACBED) supports SB789 SD1, with amendments, which increases the minimum wage to \$12.00 per hour from January 1, 2020, and to \$15.00 per hour on January 1, 2024, and provides an income tax credit for qualifying small businesses. We ask that the bill be improved to raise the wage to at least \$17 per hour.

HACBED was established in 1992 as a nonprofit statewide intermediary to address social, economic, and environmental justice concerns through community-based economic development and asset building strategies. It advances its mission with core competencies in the areas of community and organizational capacity building, community and economic development planning, and asset policy development and advocacy. HACBED played a facilitating role in the State Asset Policy Task Force and was a key contributor to the State Asset Policy Road Map. HACBED also facilitated the Family & Individual Self-Sufficiency Program (FISSP), which administers the Internal Revenues Services' Volunteer Income Tax Assistance (VITA) program as a part of its larger asset building and financial education initiatives for needy families. As such, HACBED supports the proposed bill with amendments, that would provide an increase in the minimum wage while supporting small businesses with a tax credit to offset those increases.

Through HACBED's efforts with providing VITA services, we have heard countless stories of the importance that a stable wage provides. SB789 SD1 would increase our state's minimum wage to \$12 per hour in 2020 and \$15 per hour in 2023. According to DBEDT, the self-sufficiency income standard for an individual with no keiki in 2016 was \$15.84 per hour, which comes out to \$17 in 2019. As such, we ask the Committee that this bill should be improved by continuing to raise the wage to at least \$17 per hour.

Mahalo for this opportunity to testify,

Brent N. Kakesako
Executive Director
Hawai'i Alliance for Community-Based Economic Development



1928 Republican Street Honolulu, HI 96819 Phone: (808) 845-9868 Fax: (808) 848-7848

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Committee Members,

I started the Hawaiian Chip Company nineteen years ago to make and sell sweet potato and taro chips throughout the state of Hawaii. I am opposed to SB 789 because it will hurt both employees that it is designed to help and businesses that are already struggling with the last increase to the minimum wage. The last increase to \$10.10 an hour actually decreased the gap between most of my hard working employees and the minimum wage. It also forced me to raise prices along with many other businesses adding to inflation, which did not allow for those raises to offset living expenditures. A tax credit will not help my small business because I am dependent on much larger suppliers who will surely raise prices in reaction to a minimum wage increase.

Raising prices to compensate for another increase will make it even tougher for the Hawaiian Chip Company to compete against sweet potato chips from Asia and the mainland that sell for half the price. I buy 99.9% of my sweet potatoes from local farmers on the Big Island, Maui, Oahu, and Molokai. However, I'm paying up to \$1 per lb because of increased labor costs farms are enduring here. On the mainland, comparable sweet potato can be sourced for \$.30 a lb. I can get them shipped here for cheaper than I buy the local potatoes. I am already losing significant sales to companies making chips outside of Hawaii from cheaper sweet potatoes and have diminishing export capacity as increases continue. Even if small businesses are given tax credits, it will not diminish the negative impact for them as all other prices on goods from larger companies will surely increase. In addition to pricing my products out of markets, a raise in the minimum wage will force me to stop buying local agriculture to survive.

Certain businesses have sufficient profit margins, due to different operating parameters, which allow for a self-imposed \$15 minimum wage. These companies should be commended for their contributions to the economy and benefit from being able to hire the best and the brightest. However, these companies are still selective in their hiring process and fire workers who can't perform their duties in a satisfactory manner. Reasons can range from attendance issues, inadequate skill sets, poor performance, and disciplinary issues. Paying them \$15 an hour would lower production which is why they get let go or not get hired by companies with self-imposed \$15 minimum wages. The myth here is that these companies pay every single person \$15 an hour when the reality is that they can afford to be more selective by paying a minimum of \$15 an hour. They are not employing the bottom 5% of employees that have low skill sets and poor reliability. Companies who are willing to hire such employees should not be penalized by having to over pay for their services. An employee that will miss work without reasonable cause once a week is simply not worth \$10.10 an hour, let alone \$15.

This last round of minimum wage increases directly contributed to less proportionate pay for our middle class. Unemployment is at 2% and businesses are struggling to hire. That means many businesses are already carrying on payroll workers that are not contributing



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at productive levels. This is a burden plaguing just about every company. When wages for these unproductive workers are raised it means some will lose jobs or the companies

employing them will have to defer raises for everyone else which is what I did to compensate for \$10.10 an hour. A free market economy would've allowed for me to offer more for productive workers more than the \$12-\$15 an hour rates they are stuck at.

Finally, where is the evidence that the last increase helped anyone? To my knowledge, the last round of increases did not get more people away from dependence on public housing, welfare, and EBT cards. Perhaps a study to show evidence on how the last increase helped, is something we need to consider before doing more damage to our economy. Employers and employees suffer from our high cost of land. Solutions for that problem will help both. It would free up revenue for businesses to pay more and increase purchase power for employees who will be able to afford more because prices don't have to drastically increase as well. This would lead to better opportunities for all, as the economy grows on its own merit as opposed to forced inflation from another minimum wage increase.

Thank you for the opportunity to testify.

Mahalo,

A handwritten signature in black ink, appearing to read "Jimmy Chan", is written over the printed name. The signature is fluid and cursive, with a long horizontal stroke at the end.

Jimmy Chan



**Testimony to the Senate Committee on Ways and Means
Monday, February 25, 2019 at 10:25 A.M.
Conference Room 211, State Capitol**

RE: SB 789 SD 1, RELATING TO MINIMUM WAGE

Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **does not support** SB 789 SD 1, which increases the minimum wage to \$12.00 per hour beginning January 1, 2020 and then to \$15.00 per hour beginning on January 1, 2023. This bill would also provide a tax credit for qualifying small businesses to offset the increase in the minimum wage that employers will have to pay.

The Chamber is Hawaii's leading statewide business advocacy organization, representing 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

National data has differed on their opinion of the effects that an increase in the minimum wage could have on employers and their businesses. However, should this bill pass, it will harm local businesses, the state economy, job creation and, potentially, the very employees it is trying to help.

A Minimum Wage Increase is not a One-Size Fits All Fix

The number of small businesses across the state of Hawaii vary from the size of the business, to the number of employees or even the products and goods that they sell. A rise of the minimum wage will have an impact that will be felt throughout the small business community. We have heard from many members regarding what would happen to their businesses if the minimum wage were to be increased. Some of our members have said that their businesses would be able to absorb the additional costs of an increase in minimum wage. However, we have heard from other members who have raised concerns on what sort of impact these new increases will have on their businesses.

One of the business owners that we have heard from, someone who has owned a restaurant for over 30 years and employs around 25 workers has indicated that even the smallest increase being considered for a minimum wage increase will cost them nearly \$45,000 more on hourly wages in the first year. This owner has also indicated that most likely they will



Chamber of Commerce HAWAII

The Voice of Business

need to raise prices, cut back on the premium health care that their business currently offers, and most likely also cut hours. This is also an owner that has used his business to help contribute millions of dollars to charitable causes in Hawaii through fundraisers, donations and other efforts throughout the years.

We hope that lawmakers will take this into account when considering the impact that a minimum wage would have on small businesses across the state.

Minimum Wage vs. Living Wage

Recently, when considering a minimum wage increase, proponents have tied it to the argument that workers need to be making a livable wage. The Chamber understands and emphasizes with working families and the challenges that they face with the high cost of living in Hawaii. That is why we believe we need to look at the whole picture of factors that are affecting workers here in Hawaii. A minimum wage increase is not going to be the silver bullet that will fix all the problems. Living wage is a complex, multifaceted issue and we need to look at our high cost of living, lack of available and affordable housing, and reliance on imported goods and energy when considering a living wage.

Hawaii is Different: Prepaid Healthcare Law Mandates Employers to Pay for Insurance Premium Costs

While the Chamber understands that other states have recently considered increases in their minimum wage, it is essential to keep in mind that **Hawaii is the only state in the nation** that requires employers to provide health insurance to its employees, including part-time employees (20 or more hours per week). No other employers in the country have this additional responsibility. In addition, workers' compensation premiums, Social Security tax, Medicare tax, temporary disability insurance, and unemployment insurance tax are all based on wages. Increasing the minimum wage requires additional increases for all the foregoing benefits. This bill will not only increase direct labor costs to business but will also **increase mandated benefit costs and taxes**.

During the Chamber's recent Health Summit event, the Deputy Insurance Commissioner provided our members with an outlook on the continued rising costs of healthcare in Hawaii. During his presentation, he talked about how the cost of premiums for medical and drugs in 1974 were just \$17.50 per individual per year. In 2015, those costs rose to nearly \$600 per individual. In 2026, it is anticipated that the costs will rise to about \$14,000 per individual, a cost that will certainly impact small businesses should it continue to rise.

Other Important Factors for Consideration



Increasing the minimum wage will also greatly affect job opportunities, especially for new, unskilled workers. In addition to traditional adult workers changing industries, young adult workers also often receive their initial work experience by starting at unskilled jobs. As mentioned previously in our testimony, business owners are telling us that raising the minimum wage will result in some businesses having to cut salaries and positions and raise prices on their products. Raising wages does put more money into circulation of the economy; however, it also can lead to fewer jobs, fewer hours worked for employees, and in some cases, the loss of the business entirely.

A recent survey conducted by the New York City Hospitality Alliance asked restaurants in New York City about the impacts that these businesses are facing with a recent increase in the minimum wage at the end of 2018 to \$15 per hour. Roughly seventy-five percent of the more than 300 respondents operating full-service restaurants indicated that they'll have to reduce employee hours in 2019 because of the new wage increase. Forty-seven percent of respondents even went as far as saying that they would be eliminating jobs. When asked about if prices on the menus would increase, close to ninety percent of respondents said they expected to see menu prices raised this year.

There is also a misconception that business owners here in Hawaii are uncaring, something that our members are hearing and frustrated by. This could not be further from the truth. The business owners that we've had the opportunity to talk to have all said that their employees are like family – they spend many hours, days, months, and even years working together to help serve our communities. We've also heard from business owners who have cut into their profits in order to provide their employees with better benefits, free meals during employees' shift, opportunities to earn bonuses, and the availability of premium healthcare coverage.

While our economy at this time is healthy, we note that the minimum wage has never been decreased when the economy enters a recession. The Council on Revenues recently lowered the state's forecasted revenue growth because of a projected slowdown. Hawaii is also just one year removed from the last incremental increase of the minimum wage that began in 2015 to raise the minimum wage to the current \$10.10 per hour level. We are still trying to determine what type of impact this raise had on our local businesses, so we encourage the committee to take this into consideration.

The Chamber appreciates that this bill tries to address some of these burdens through the proposed tax credit. However, for all the above reasons, we must respectfully ask that this bill be held. Thank you for the opportunity to express our views and concerns.

SB-789-SD-1

Submitted on: 2/24/2019 12:09:13 AM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Carl Bergquist	Testifying for Drug Policy Forum of Hawaii	Support	No

Comments:

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee,

Aloha! The Drug Policy Forum of Hawai'i supports SB 789 SD1, with an amendment. While it is a great start to raise the wage to \$15 by 2023, as this bill would do, we urge the committee to amend it to raise the wage further to \$17.

Why \$17 an hour? According to the Department of Business, Economic Development & Tourism, the "self-sufficiency income" for a single person without children in Hawai'i was close to \$16 an hour in 2016. After adding inflation, the self-sufficiency income is \$17 in 2019.

Currently, our state's minimum wage workers earn only \$21,000 a year (working full time at \$10.10 per hour) while facing the highest cost of living in the nation. We all know that's not enough to survive on here in Hawaii.

A higher minimum wage would put additional money in the pockets of the people most likely to spend at their local businesses. Studies have found that higher wages also mean more productive employees and lower turnover, which reduces employers' turnover, hiring, and training costs.

Mahalo for this chance to provide testimony on such an important bill.

SB-789-SD-1

Submitted on: 2/23/2019 7:58:36 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Midwives Alliance of Hawaii	Testifying for Midwives Alliance of Hawaii	Support	No

Comments:

We strongly support SB789 SD1 with a recommend the amendment to raise the minimum wage from \$15 to \$17 an hour. According to the Department of Business, Economic Development & Tourism, the "self-sufficiency income" for a single person without children in Hawai'i was close to \$16 an hour in 2016. After adding inflation, the self-sufficiency income is \$17 in 2019.

We urge the WAM committee to make this amendment and pass this bill.

Mahalo for the opportunity to testify!



of Hawaii

February 23, 2019

From: Younghee Overly, Public Policy Chair, AAUW Hawaii

To: Hawaii State Senate Committee on Ways and Means

Hearing Date/Time: Monday, February 25, 2019 10:25AM

Place: Hawaii State Capitol, Room 211

Re: Testimony in SUPPORT of SB789 SD1 with amendments

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee,

Thank you for this opportunity to submit a testimony in support of SB789 SD1 with amendments. Our state's minimum wage is \$10.10 an hour, or only \$21,000 a year for full-time work. It's no wonder that so many Hawai'i residents are struggling with poverty and homelessness. Our cost of living is the highest in the country mainly because of our sky-high housing costs. To rent a market-rate one-bedroom apartment, you'd have to make over \$57,000 a year (or \$27.44 an hour).

While it is a great start to raise the wage to \$15 by 2023, as SB789 SD1 would do, the wage should be further increased to \$17. According to the Department of Business, Economic Development & Tourism, the self-sufficiency income (aka living wage) for a single person without children in Hawai'i was \$15.84 an hour in 2016¹ which is, after adding inflation, \$17 an hour in 2019. the self-sufficiency income is \$17 in 2019. Accordingly, this bill should be amended to raise the wage to at least \$17 over a number of years.

In Hawaii, more than 52,000 family households are headed by women and about 17 percent of those families, or 8,799 family households, have incomes that fall below the poverty level². AAUW of Hawaii supports SB789 SD1 with amendment to raise the minimum wage to at least \$17 because increasing the minimum wage to a living wage would provide much-needed income to women whose wages sustain their households.

The American Association of University Women (AAUW) of Hawaii is a state-wide organization made up of six branches (Hilo, Honolulu, Kauai, Kona, Maui, and Windward Oahu) and includes just over 450 active members with over 1700 supporters statewide. As advocates for gender equity, AAUW of Hawaii promotes the economic, social, and physical well-being of all persons.

Sincerely,

A handwritten signature in blue ink, appearing to read "Y. Overly", is positioned below the "Sincerely," text.

¹ http://files.hawaii.gov/dbedt/economic/reports/self-sufficiency/self-sufficiency_2016.pdf

² <http://www.nationalpartnership.org/our-work/resources/workplace/fair-pay/4-2017-hi-wage-gap.pdf>



Before the Senate Committee on Ways and Means

DATE: Monday, February 25, 2019

TIME: 10:25 a.m.

PLACE: Conference Room 211

Re: SB 789, SD1 Relating to Minimum Wage

Testimony of Melissa Pavlicek for NFIB Hawaii

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran and members of the committee:

We are testifying on behalf of the National Federation of Independent Business (NFIB) in opposition to SB 789 SD1 relating to minimum wage which increases the minimum wage to \$12.00 per hour beginning 1/1/2020 and \$15.00 per hour beginning 1/1/2023. If the state mandates an increase in the cost of labor, employers will be forced to increase prices or work with fewer employees.

No one has greater incentive, responsibility or ability to lead the economy than Hawaii's small business owners. Therefore, lawmakers have a special obligation to ensure that public policies help spur economic growth by taking into account the unique perspective of those who are owning and operating a small business. Small businesses play a major role in the economy, representing 99% of all employer firms, employing about half of private-sector employees and generating 63% to 80% of net new jobs annually. Raising the minimum wage would make it harder for low-skilled or first-time workers to get jobs. We oppose this measure.

The National Federation of Independent Business is the largest advocacy organization representing small and independent businesses in Washington, D.C., and all 50 state capitals. In Hawaii, NFIB represents nearly 1,000 members. NFIB's purpose is to impact public policy at the state and federal level and be a key business resource for small and independent business in America. NFIB also provides timely information designed to help small businesses succeed.



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF SB 789. SD1: Relating to Minimum Wage

TO: Senator Donovan Dela Cruz, Chair, Senator Gilbert Keith-Agaran, Vice Chair;
and Members, Committee on Ways and Means

FROM: Betty Lou Larson, Legislative Liaison, Catholic Charities Hawai'i

Hearing: Monday, February 25, 2019; 10:25 am; CR 211

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members, Committee on Ways and Means:

Thank you for the opportunity to provide written testimony **in strong support of SB 789, SD1**, which increases the minimum wage rate. I am Betty Lou Larson with Catholic Charities Hawai'i. Increasing the minimum wage directly impacts our advocacy priority of reducing poverty in Hawai'i.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 70 years. CCH has programs serving elders, children, families, homeless and immigrants. Our mission is to provide services and advocacy to the most vulnerable of the people in Hawai'i.

Many of the vulnerable in Hawai'i are the working poor, people who earn low wages through hard work but due to our high cost of living struggle to make ends meet. We serve these low-income workers in our programs. They are often barely able to avoid homelessness, or working several jobs to juggle the basic expenses of their families and unable to spend time raising their children. These workers are parents who try very hard to support their own families but often must also rely on some type of public or charitable assistance. Raising the minimum wage to \$15 by 2023, as this bill proposes, is a great first step, but it still misses the mark to enable workers to be self-sufficient.

Catholic Charities Hawai'i urges that this bill be amended to raise the minimum wage to \$17/hour. This would provide self-sufficiency to single people without children. Working families would still struggle, but a \$17 per hour wage would greatly help. This raise would also support our local economy. Low-income workers spend their income on basic living expenses and higher wages would be put right back into local businesses. With more money in their pockets, workers would be better able to avoid homelessness as rents increase or a sudden emergency strains their already tight budgets. The proposed tax credit to small businesses would help to ease the impact as businesses adjust to the new wage levels.

This increase to the minimum wage will help to restore the dignity of the working poor, people who are currently not being paid wages that allow them a decent level of economic stability.

This is an important bill for economic justice and the prevention of homelessness. If you have any questions, please contact me at 373-0356 or bettylou.larson@catholiccharitieshawaii.org.



The Thirtieth Legislature
Regular Session of 2019

The Senate
Committee on Ways and Means
Senator Donovan Dela Cruz, Chair
Senator Gilbert Keith-Agaran Vice Chair
State Capitol, Conference Room 211
Monday, February 25, 2019; 10:25 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 789, S.D.1
RELATING TO MINIMUM WAGE**

The ILWU Local 142 **supports with amendments** S.B. 789, S.D.1 which provides an income tax credit for qualifying small businesses to offset the increase in the minimum hourly rate that employers must pay employees and increases the minimum wage to \$12.00 per hour beginning 1/1/2020 and \$15.00 per hour beginning 1/1/2023.

Amendment 1: Increase minimum wage from the suggested \$15.00 per hour to \$17.00 per hour.
Amendment 2: Repeal the tip credit language. Seven states - including states with a vibrant service sector economy such as California and Nevada have eliminated the tip credit.

Hawaii low-income workers are struggling – in fact, any individual earning less than \$40,850 in Hawaii is considered “very low income” according to the U.S. Housing and Urban Development. And unfortunately, a full-time minimum wage worker in Hawaii struggles to make \$20,000 a year or essentially half the income as a “very low income” worker in Hawaii. What this tells us is we clearly have a wage crisis and to make matters worse, the National Low Income Housing Coalition proclaims a renter in Hawaii needs to earn over \$36 an hour to simply afford a modest two-bedroom rental. Further, to add salt to the wound, Hawaii has seen a population decline for the second straight year amounting to the fifth highest population decline among all the states. The truth is, Hawaii residents simply cannot afford to live in Hawaii and raising the wage to a living wage will help keep our families together, reduce the number of homeless from our streets and inject millions of dollars into our economy that relies heavily on consumer spending.

The ILWU urges the passage of S.B. 789, S.D.1 with amendments. Thank you for the opportunity to offer testimony on this measure.



49 South Hotel Street, Room 314 | Honolulu, HI 96813
www.lwv-hawaii.com | 808.531.7448 | voters@lwv-hawaii.com

COMMITTEE ON WAYS AND MEANS

MONDAY, 2/25/29, 10:25 AM, Room 211
SB789 SD1, RELATING TO MINIMUM WAGE

TESTIMONY

Beppie Shapiro, Legislative Committee, League of Women Voters of Hawaii

Chair DELA CRUZ, Vice-Chair KEITH-AGARAN and Committee Members:

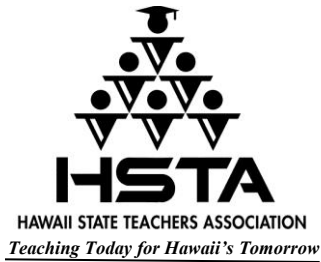
The League of Women Voters of Hawaii **supports SB789 SD1** that modestly increases the minimum wage and provides an off-setting tax break to small businesses. We **strongly support amending SB789 SD1 to more quickly and meaningfully increase the minimum wage.**

Hawaii's DBEDT estimates that a "self-sufficiency" income for a single worker without dependents and who gets health insurance from their employer was \$15.84 in 2016 - updated for inflation that is \$17/hour in 2019 - before any of the increases scheduled in SB789 SD1 go into effect. (Other estimates of a basic livable wage are much higher.) And of course many of our workers support a child, or more than one.

Someone even with SB789 SD1 as written will be dependent on government benefits to survive at a very basic level. Our taxes, which support those benefits, are subsidizing businesses which pay less than a basic living wage to workers in Hawaii. SB789 SD1 addresses the immediate effects on small employers of raising their worker's raises, thus preventing even the very small effects on employment seen in some studies of states and localities which have substantially raised their minimum wages. We commend the inclusion of tax breaks for affected small businesses.

Consider the effects on a child in Hawaii being raised by a parent earning the minimum wage (in 2015 about 25% of children under age 6 lived with a single parent). Surveys show that one in 6 children in Hawaii struggles with hunger - i.e. sometimes skips meals or survives on nutritionally inadequate meals. (UH Center on the Family). Children in poor families often do not have adequate clothing or get the experiences other children enjoy. They live with parents who are stressed by the challenge of providing for the family on the minimum wage in a very expensive state. Many such parents must work multiple jobs.

Amending SB789 SD1 to provide quicker progress toward a true living wage will more adequately address poverty and inequality in Hawaii. However, even unamended, we support the existing measure as better than the current status. Thank you for the opportunity to submit testimony.



1200 Ala Kapuna Street ♦ Honolulu, Hawaii 96819
Tel: (808) 833-2711 ♦ Fax: (808) 839-7106 ♦ Web: www.hsta.org

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Osa Tui Jr.
Vice President
Logan Okita
Secretary-Treasurer
Wilbert Holck
Executive Director

TESTIMONY BEFORE THE SENATE COMMITTEE ON
WAYS AND MEANS

RE: SB 789 - RELATING TO MINIMUM WAGE

MONDAY, FEBRUARY 25, 2019

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Dela Cruz and Members of the Committee:

The Hawaii State Teachers Association **supports SB 789, with the suggested amendments**, relating to minimum wage.

Our minimum wage workers earn only \$21,000 a year (working full time at \$10.10 per hour) while facing the highest cost of living in the nation. For example, a Hawaii minimum wage worker would have to work 109 hours per week just to pay rent for a 1-bedroom apartment.

This bill will increase our state's minimum wage to \$15 in 2 steps by 2023 which we applaud; however, to make the transition easier on businesses, and to reach our goal of \$17 per hour as the living wage in our state. We suggest added an amendment to section 2, page 3, that will create steps not only to ease the transition for businesses, but also achieve the goal of \$17 per hour as minimum wage by 2025.

Amendment suggestion for SB789, SD1,Page 3 line beginning line 21

First, deleting

~~(8) \$12.00 per hour beginning January 1, 2020; and
(9) \$15.00 per hour beginning January 1, 2023."~~

then inserting new language of:

“(8) \$11.35 per hour beginning January 1, 2020
(9) \$12.60 per hour beginning January 1, 2021;
(10) \$13.85 per hour beginning January 1, 2022;
(11) \$15.10 per hour beginning January 1, 2023;
(12) \$16.35 per hour beginning January 1, 2024;
(13) \$17.00 per hour beginning January 1, 2025”



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Corey Rosenlee
President

Osa Tui Jr.
Vice President

Logan Okita
Secretary-Treasurer

Wilbert Holck
Executive Director

^Note: Increases by \$1.25 each year, with only a \$0.65 increase in 2025

We must also note that tipped workers in Hawaii currently can be paid even less than \$10.10. Seven states, including Nevada and all of the West Coast, have eliminated this sub-minimum wage for tipped workers and pay all of their workers the same minimum wage. Thus we also suggest that **Hawai'i should join them, too, with an amendment to eliminate the tip credit. It is time.**

Research shows that higher wages are good for businesses, too. Between 2015 and 2018, Hawai'i's minimum wage increased by 39 percent while our unemployment rate dropped and restaurants hired more servers. That's because higher wages improve worker morale, productivity and loyalty, which saves employers the costs of constantly hiring and training new people. And any extra money paid to minimum wage workers is plowed right back into local businesses, leading to positive ripple effects across our economy.

To provide a living wage to all workers in Hawaii, the Hawaii State Teachers Association asks your committee to **support** this bill with suggested amendments.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law and Economic Justice
In Support with Amendments of SB 789 SD1 – Relating to Minimum Wage
Senate Committee on Ways and Means
Monday, February 25, 2019, 10:25 AM, conference room 211

Dear Chair Dela Cruz, Vice Keith-Agaran, and members of the Committee:

Mahalo for the chance to submit testimony in support of SB 789 SD1, with amendments.

SB 789 SD1 would raise our minimum wage to \$15 per hour by 2023, which is a helpful boost to our state's low-wage workers. However, as explained in our testimony below, we believe that the wage needs to be raised higher than that. We respectfully request that the committee **amend this bill to raise the wage further to \$17 per hour, in regular steps over a number of years.**

In addition, while we appreciate the intent of the tax credit contained in SB 789 SD1, we are concerned that **the small business tax credit would not be limited to those employers who are affected by a minimum wage increase.** For example, if a small business pays each of its 10 workers \$100,000 a year and gives them all a raise to \$150,000, then they'd get a tax credit worth \$100,000. In other words, a business that does not employ any low-wage workers and is not at all affected by a minimum wage increase would get to claim a hefty tax credit.

Another example is a small business that pays all 10 of its workers \$11 an hour. If that employer doubles their staff to 20 workers, but still pays them all only \$11 an hour, they would get a tax credit of over \$45,000. However, none of their low-wage workers got a raise.

Despite that concern, we support SB 789 SD1, for the following reasons:

We all hear the stories of families who are moving away from our state because they can't afford to live here. Our unique location in the middle of the ocean, as well as the very limited amount of land that we can build housing on, cause our prices to be higher than the rest of the nation. We need a minimum wage that can keep up with our cost of living.

You'd think that with the lowest unemployment rate in the nation, our workers would've seen big raises over the past few years. Yet we have **the lowest average wage in the nation,**ⁱ when you adjust for our cost of living.ⁱⁱ Something's out of balance. There's a lot of evidence that it's not just our prices, but also our low wages.

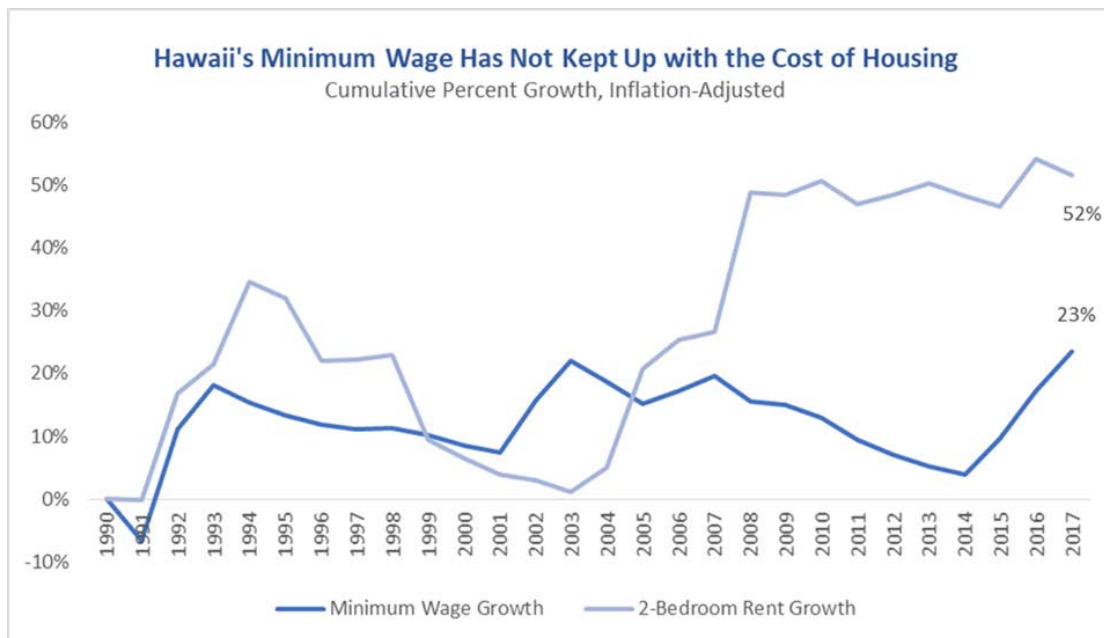
The Hawai'i Appleseed Center for Law and Economic Justice is committed to a more socially just Hawai'i, where everyone has genuine opportunities to achieve economic security and fulfill their potential. We change systems that perpetuate inequality and injustice through policy development, advocacy, and coalition building.

How much do you need to earn to make ends meet in Hawai‘i? Here are a few answers:

- **\$17 per hour** in 2019 for a single person with no children and *with* employer-provided health insurance, according to our own state's Department of Business and Economic Development & Tourism,ⁱⁱⁱ
- **\$27.44 an hour** to afford a 1-bedroom rental in Hawai‘i in 2018, according to the National Low-Income Housing Coalition,^{iv}
- **\$24.78 an hour** in 2017 for a single person with no children in Honolulu County to have a "modest yet adequate standard of living," according to Economic Policy Institute's family budget calculator,^v
- **\$21.52 an hour** in 2018 for a single childless worker in Hawai‘i to achieve "basic economic security," according to the Institute for Women's Policy Research.^{vi}

With the highest cost of living in the nation, \$10.10 an hour is not a living wage for a single adult in Hawai‘i, much less parents raising children. As low-wage jobs become the new normal, working families are falling further and further behind even as the economy continues to grow.

Our minimum wage workers earn only \$21,000 a year (working full time at \$10.10 per hour). At that rate, a **Hawaii minimum wage worker has to work 109 hours per week just to pay rent for a 1-bedroom apartment.** According to the Aloha United Way, 48 percent of families in our state struggle with incomes below a minimum survival budget.^{vii}

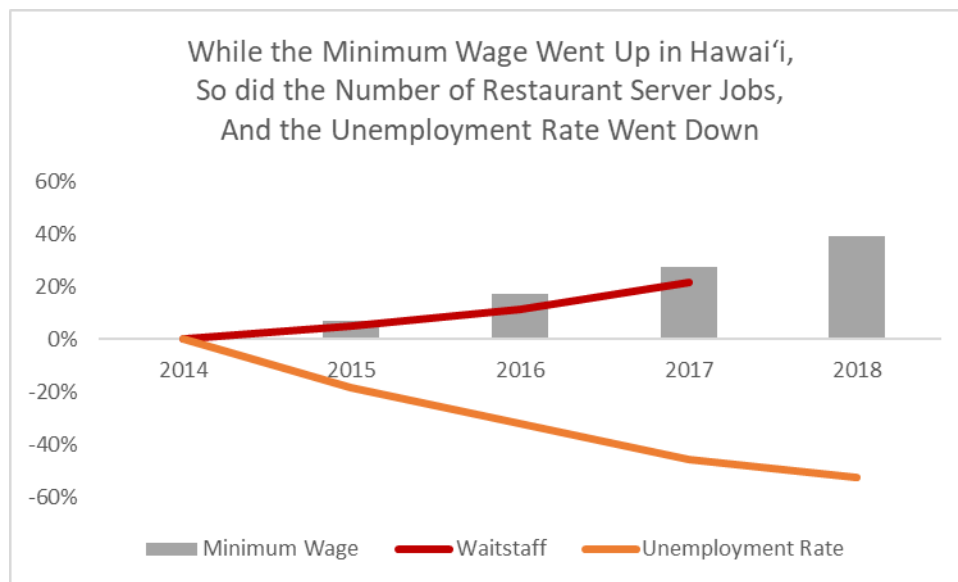


The Hawai‘i Appleseed Center for Law and Economic Justice is committed to a more socially just Hawai‘i, where everyone has genuine opportunities to achieve economic security and fulfill their potential. We change systems that perpetuate inequality and injustice through policy development, advocacy, and coalition building.

Meanwhile, consumer spending is the largest driver the economy -- accounting for two-thirds of GDP. And minimum wage workers spend a larger portion of their income than anyone else. When they make more, they spend more. As their wages grow, so too does their spending at local businesses. **A minimum wage hike promises to boost consumer demand and, in turn, our state economy's growth.**

Moreover, study after study shows that higher wages are good for businesses' bottom lines. **Higher wages improve employee morale, productivity, and loyalty, in turn reducing costly turnover and training.** Employees work harder because they want to keep their jobs, rather than looking for another with higher pay.

Despite claims to the contrary, decades of research – as well as real-world evidence – have proven that raising the minimum wage does not cause businesses to shed jobs. **Between 2015 and 2018, when the minimum wage in Hawai'i rose by 39 percent, our state's unemployment rate dropped by 52 percent. And since the minimum wage started rising in 2015, there was an increase in restaurant server jobs of 22 percent.**



The latest major academic study on the minimum wage, in 2017, found that, on average, 137 minimum wage increases since 1979 reduced the number of jobs paying *less* than the new minimum while adding jobs paying *at or above* the new minimum, effectively canceling each other out.^{viii}

In 2016, President Obama's Council of Economic Advisers looked at 19 recent state-level minimum wage hikes and concluded that "the recent legislation contributed to substantial wage increases with no discernible impact on employment levels or hours worked."^{ix}

A paper in 2015 analyzed 15 years of minimum wage research and found "no support for the proposition that the minimum wage has had an important effect on U.S. employment."^x A 2013 study reviewed the literature since 2000—including two meta-studies—and concluded that minimum wage increases "have no discernible effect on employment."^{xi}

In 2017, a University of Washington paper that claimed to find negative job effects from Seattle's minimum wage increase made a lot of headlines mainly because it contradicted the existing body of research.^{xii} In fact, a few days earlier, a University of California, Berkeley, study that found that Seattle's minimum wage increase had beneficial effects drew almost no media attention.^{xiii}

Since then, major flaws in the University of Washington paper have been found by economists at institutions such as the Economic Policy Institute, the University of California, Berkeley, and the Center for American Progress. As a result, some eminent economists who initially affirmed the Seattle paper have retracted their endorsements of it.^{xiv}

Please pass SB 789 SD1, with the amendments described above. Thank you for your consideration of this testimony.

ⁱhttps://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm#type=0&year=2017&qtr=A&own=0&ind=10&supp=1

ⁱⁱ <https://www.bea.gov/system/files/2018-05/rpp0518.pdf>

ⁱⁱⁱ http://files.hawaii.gov/dbedt/economic/reports/self-sufficiency/self-sufficiency_2016.pdf

^{iv} <https://nlihc.org/oor/hawaii>

^v <https://www.epi.org/resources/budget/>

^{vi} <http://www.basiceconomicsecurity.org/best/budget.aspx>

^{vii} <https://www.auw.org/alice>

^{viii} <https://www.sole-jole.org/17722.pdf>

^{ix} <https://voxeu.org/article/minimum-wage-increases-and-earnings-low-wage-jobs>

^x https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2705499

^{xi} <http://cepr.net/press-center/press-releases//new-paper-finds-modest-minimum-wage-increases-have-little-impact-on-employment>

^{xii} <https://evans.uw.edu/sites/default/files/NBER%20Working%20Paper.pdf>

^{xiii} <http://irle.berkeley.edu/files/2017/Seattles-Minimum-Wage-Experiences-2015-16.pdf>

^{xiv} <https://www.washingtonpost.com/news/wonk/wp/2018/02/05/raising-the-minimum-wage-doesnt-cost-jobs-multiple-studies-suggest/>



PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

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TO: Senator Donovan Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair
Members of the Ways and Means Committee

FROM: Pedro Haro, Advocacy Director, PHOCUSED

SUBJECT: Testimony in Support of SB789 SD1, Relating to Minimum Wage

Hearing: February 24, 2019 at 10:25 am
Conference Room 211

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee:

PHOCUSED supports SB 789, SD1, with an amendments described below.

PHOCUSED is a nonprofit, nonpartisan organization dedicated to increasing the safety for, visibility of, and investment in the children and adults in Hawaii who are marginalized, impoverished, and under-served. Our organization has been a leading voice in advocating for our homeless populations since our formation, as the membership of PHOCUSED and our Board of Directors represent many of the major providers of human services across our state.

This bill would raise the minimum wage from the current \$10.10 an hour -- or \$21,000 per year for full-time work -- in 5 annual steps, topping out at \$15 in 2023.

PHOCUSED, with years of history working with homeless and people with few resources, understands that the economic impact that families face in Hawaii. With our astronomical cost of living, the jobs that our most vulnerable populations are able to attain are not paying wages enough to keep them housed and sustainable.

PHOCUSED is a membership and advocacy organization for health and human services in Hawaii, which works together with community stakeholders to collectively impact program and policy change for the most vulnerable in our state. Our commitment to the people is reflected in our name – Protecting Hawaii's 'Ohana, Children, Under-Served, Elderly, and Disabled. We are guided by the shared commitment of our members to protect the interests of Hawaii's people and the sector which seeks to provide them with quality programs and services.



PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

That is why we respectfully request the following amendments to this bill: increase the steps up in the minimum wage to \$17 per hour by 2023.

Why \$17 an hour? According to the Department of Business, Economic Development & Tourism, the "self-sufficiency income" for a single person without children in Hawai'i was close to \$16 an hour in 2016. After adding inflation, the self-sufficiency income is \$17 in 2019.

We urge you to please pass SB 789, SD2, with the above amendment. Thank you for your consideration of our testimony.

Board of Directors

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Karen Tan
Colin Moore
Gavin Thornton
Trisha Kajimura
Debbie Shimizu, Ex Officio
Natalie Okeson, Exec. Dir.

PHOCUSED is a membership and advocacy organization for health and human services in Hawaii, which works together with community stakeholders to collectively impact program and policy change for the most vulnerable in our state. Our commitment to the people is reflected in our name – Protecting Hawaii's 'Ohana, Children, Under-Served, Elderly, and Disabled. We are guided by the shared commitment of our members to protect the interests of Hawaii's people and the sector which seeks to provide them with quality programs and services.

SB-789-SD-1

Submitted on: 2/22/2019 5:11:33 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Frank DeGiacomo	Individual	Support	No

Comments:

Amend to \$20.

SB-789-SD-1

Submitted on: 2/24/2019 8:08:45 AM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Amy Monk	Individual	Support	No

Comments:

I urge you to support SB 789 SD1 to raise the minimum wage.

To be realistic, even a \$15 minimum wage is a long way from what DBED reported a single person needs earn to live in Hawaii. But this bill would help some of the 10.5 percent of women who live in poverty, the 18 percent of single-parent families who live in poverty, the 38,000 Asian and Pacific Islander children who are below 200% poverty line. In Hawaii, 11.8% experience food insecurity. *

Business owners will always argue against any increase in the cost of production, but those workers are just the consumers they seek. A pay increase to low income workers is complete and immediately spent in the local economy on food, clothing, local services.

During the government shut down, many were you shocked that 40% of the American workers who do not have \$400 in savings to meet any emergency. Minimum wage workers and their families live from pay check to pay check, they spend all they earn, and at the end of the month that might just not be enough.

Thank you for reading my comments in support of SB 789 SD1.

Amy Monk

*<https://spotlightonpoverty.org/states/hawaii/>

SB-789-SD-1

Submitted on: 2/24/2019 7:43:55 AM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Brian Murphy	Individual	Support	No

Comments:

Aloha lawmakers,

I SUPPORT SB789.

Workers deserve a living wage.

Mahalo,

Brian Murphy

Maui, Hawaii

SB-789-SD-1

Submitted on: 2/24/2019 7:42:30 AM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Mary Whispering Wind	Individual	Support	No

Comments:

Aloha lawmakers,

I SUPPORT SB789.

Workers deserve a living wage.

Mahalo,

Mary Whispering Wind

SB-789-SD-1

Submitted on: 2/23/2019 11:43:51 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Barbara J. Service	Individual	Support	No

Comments:

Please support SB789 to increase the minimum wage to \$12.00 by 1/1/2020 and \$15.00 by 1/1/2023 and to provide tax credits to qualified employers who raise their workers' wages. These amounts, still below mainland wages, are a step in the right direction of doing what's right by employees and enabling them to lead better lives. Turnover and training of new employees costs more than the bump in pay which leads to satisfied and loyal employees.

SB-789-SD-1

Submitted on: 2/23/2019 8:32:18 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Susan J. Wurtzburg	Individual	Support	No

Comments:

Thank you for the opportunity to testify I strongly support this bill. I cannot imagine how people manage to afford rent, feed their families, educate family members, cover transportation and health needs, etc., on minimum wages here. Well, actually, people are not able to do this, and instead, must work several jobs, live in extended-family homes, and forego necessities because the minimum wage is so low compared to the cost of living here. Please increase the minimum wage.

Mahalo,

Susan J. Wurtzburg, Ph.D.

SB-789-SD-1

Submitted on: 2/23/2019 7:59:38 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lea Minton	Individual	Support	No

Comments:

I support SB789 SD1 with an amendment to raise the minimum wage from \$15 to \$17 an hour. According to the Department of Business, Economic Development & Tourism, the "self-sufficiency income" for a single person without children in Hawai'i was close to \$16 an hour in 2016. After adding inflation, the self-sufficiency income is \$17 in 2019.

I urge the WAM committee to make this amendment and pass SB789 SD1.

Thank you for the opportunity to testify.

Chair Dela Cruz
Vice Chair Keith-Agaran
Senate Committee on Ways & Means

Monday, February 25, 2019
10:25 AM

**TESTIMONY IN SUPPORT WITH AMENDMENTS OF SB789 SD1 RELATING TO
MINIMUM WAGE**

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, Members of the Senate Committee on Ways & Means,

My name is Jun Shin. I am a freshman at the University of Hawai‘i at Mānoa, and I currently serve as an executive committee member of the Young Progressives Demanding Action (YPDA) and a supporter of the Raise Up Hawai‘i coalition. I am testifying in **support with amendments of SB789 SD1 relating to minimum wage**.

I support SB 789 SD1, **with amendments**. While it is a great start to raise the wage to \$15 by 2023, as this bill would do, I urge the committee to amend it to raise the wage further to \$17. I also ask that you link future minimum wage increases to the Honolulu region consumer price index for all urban consumers for the twelve months prior to September 1 of each year as calculated by the United States Department of Labor. Furthermore, I urge you to revise this measure to eliminate the tip credit contained in HRS §387-2, thereby preventing low-wage restaurant workers from losing precious earnings.

Why \$17 an hour? According to the Department of Business, Economic Development & Tourism, the "self-sufficiency income" for a single person without children in Hawai‘i was close to \$16 an hour in 2016. After adding inflation, the self-sufficiency income is \$17 in 2019.

Currently, our state's minimum wage workers earn only \$21,000 a year (working full time at \$10.10 per hour) while facing the highest cost of living in the nation. We all know that's not enough to survive on here in Hawaii and young people continue to move. As an environmentalist, I am constantly concerned about climate change, and the the need for mitigation efforts. I also understand that with the high cost of living and the constant worries of living paycheck to paycheck, many people do not have the opportunity and/or the bandwidth to live sustainable lives and make sustainable choices. A higher minimum wage would put additional money in the pockets of the people and some economic breathing space, giving them spending power to spend at their local business/buy locally, and have more time and energy to actively make conscious efforts to do things like recycle, drive less, or spend time doing beach clean ups with their kids. Actions which would not only be good for the environment, but in the case of the beach clean ups, you get to spend time with your kids and get to watch them grow.

If we invest in the people, they will in turn invest in society and the economy. Studies have found that higher wages also mean more productive employees and lower turnover, which reduces employers' turnover, hiring, and training costs. I urge you to please **support SB789 SD1 with amendments**.

Thank you for the opportunity to testify,

Jun Shin

1561 Kanunu St.

Cell: 808-255-6663

Email: junshinbusiness729@gmail.com

SB-789-SD-1

Submitted on: 2/23/2019 6:17:01 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Joshua Kay	Individual	Support	No

Comments:

I am in strong support of SB789, with amendments, to raise Hawaii's minimum wage.

Our state's minimum wage workers earn only \$21,008 a year (working full time at \$10.10 per hour) while facing the highest cost of living in the nation. For example, a Hawaii minimum wage worker would have to work 109 hours per week just to pay rent for a 1-bedroom apartment.

Furthermore, **it is insulting and discouraging to work for substandard wages**. It is imperative that minimum wage standards set by the state keep up with inflation, so that workers don't keep falling further behind.

SB-789-SD-1

Submitted on: 2/23/2019 1:44:34 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Claire Gearen	Individual	Support	No

Comments:

Testimony in Support of
Senate Bill 789 SD1
Relating to Minimum Wage

Aloha Chair Dela Cruz, Vice-chair Keith-Agaran, and Members of the Senate Ways and Means Committee:

My name is Claire Gearen. I speak as a concerned private citizen who has joined Raise Up Hawai'i this legislative session in order to advocate for a living wage for Hawai'i workers.

I am a career public school teacher with 20 years teaching experience. I earn near 80% of the median income and have just enough to support myself. I want to make sure those I care about, like my nieces and nephews and students, are able to support themselves. Likely more than 10% of my former students will work at minimum wage for a significant number of years. In fact, some of our Career Technical Education (CTE) programs train students in work that pays under \$17/hour.

My financial situation is not unusual. Like one of every four workers in Hawai'i, I am a public employee. The pay for many of us—teachers, firefighters, police officers—tends to be in the mid range like a legislator's. Outside of public service, careers with such pay include: claims adjusters, examiners, and investigators, buyers & purchasing agents, human resources staff, and paralegals, as examples. Those of us earning near 80% of the median income are a sizable population of income earners in the state.

My point is that we do not have the income to support adult dependents, yet we are connected to friends and family who earn under \$17 an hour.

Some of the lines of work that currently make \$17 an hour or under in median income in Hawai'i according to the Bureau of Labor Statistics are:

Home Health Aides. \$12.59

Nursing Assistants \$15.67

Dental and Medical Assistants \$17.56 & \$17.81

Garbage and Recycling Workers. \$17.59
Custodians \$13.48
Restaurant Cooks \$15.35

When full time workers can't pay their living expenses, family and government foot the bill.

We don't have the slack in most of our household incomes to pay for this. According to Appleseed Center, one in four workers in Hawai'i are not adequately housed. Full time workers deserve the dignity of a room of their own.

The Hawai'i Department of Business, Economic Development and Tourism has made a start with the release of a report showing \$17 is necessary for a basic living wage for a single person. The next study needs to look at the cost to government of our low minimum wage. With tens of thousands of workers not making enough to cover basic necessities, government social services must kick in. We should stem the flow of this unacknowledged subsidy of low wage employment. The savings could reduce tax burdens for working families or be appropriated towards a more economically stimulating purpose.

Civil Beat editors wrote on February 7, 2019 of the importance of passing a living minimum wage this session.

Lawmakers Russell Ruderman and Tina Wildberger added their voice as both small business owners and legislators, calling on February 19, 2019 for action this year.

Bank of Hawai'i and First Hawaiian Bank have determined that it is good business to pay their tellers more than minimum wage and have raised the starting salary to \$15 an hour. I urge you to support a living minimum wage for Hawaii workers. I support either Senate Bill 789 SD1 or House Bill 1191 HD1.

Let's put Hawai'i on the path to prosperity. Please pass a living minimum wage bill this session.

Sincerely,
Claire Gearen

SB-789-SD-1

Submitted on: 2/23/2019 8:09:18 AM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Randy Ching	Individual	Support	No

Comments:

Chair Dela Cruz, Vice Chair Keith-Agaran and members of the committee,

I support SB789 SD1. This bill will raise the minimum wage to \$15 by 2023. A report by the Department of Business, Economic Development and Tourism estimated that a living wage for an individual is about \$17 an hour. In other words, that individual would make enough to provide basics such as shelter, food, transportation and medical care.

Not only would many workers be able to afford the basics, but businesses would also do better with the increased amount of money in circulation locally. People making the minimum or just above it have to spend almost their entire paycheck on basics. This means that as soon as the money comes in, it goes out just to survive here (highest cost of living in the country).

Please pass SB789 SD1. Mahalo for your consideration.

Randy Ching (Honolulu)

SB-789-SD-1

Submitted on: 2/22/2019 10:01:43 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Kate Paine	Individual	Comments	No

Comments:

In listening / reading media-covered testimony from business and worker perspectives, it's certainly difficult to legislate a fair wage. There are so many varied working conditions, but, considering the cost of living and personally working with younger people, I've witnessed that they just cannot get by on the current pay scale. Any of you in committee, experiment putting in an hour's worth of work for \$15.00 and feel that it's simply brutal to expect to fork out enough for food and rent. The cost of groceries in itself rising, needs to have a wage scale go to at least \$17 to be of any benefit.

\$17 an hour is taking staws, but it would be the most realistic goal, not \$15 an hour.

SB-789-SD-1

Submitted on: 2/22/2019 5:38:24 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
William Caron	Individual	Support	No

Comments:

Aloha Chair Dela Cruz and members of the committee,

There is no doubt that the minimum wage as a policy, over the decades since it was first created by President F.D.R., has done more than perhaps any policy on the books to lift working class people out of poverty and into what we once knew to be the Middle Class. When F.D.R. created the federal minimum wage, he stated that it was meant to prevent any worker from being paid less than they need to survive. Well, DBEDT tells us what a worker needs to survive here in Hawai'i in 2019, and it's \$17 an hour. To live up to the true intentions of the minimum wage, and our proud Democratic tradition, we need to amend this bill to provide \$17 an hour, as quickly as possible, and we need to insert language to automatically increase the wage each year to catch up to, and then keep pace with, the cost of living here.

The story of the American Dream, when you really examine the facts, is a story that revolves not around the "bootstraps" narrative that corporations and wealthy elites have spent millions to bake into the American psyche, and which organizations like the Chamber of Commerce and the Food & Beverage Association now parrot. It is a story that revolves, fundamentally, around government policy aimed at bettering the living conditions of workers, the true economic drivers of our country.

Do not be swayed by the "bootstraps" narrative. It is a false narrative manufactured by those who have already crossed the bridge from working class to wealthy elite, using public infrastructure and benefits, and who now hope to prevent others from doing the same in an attempt to protect exorbitant profit margins.

I am saddened that small business owners, the last vestiges of a decaying middle class, have sided with this narrative over their natural allies, the working class. Like crabs in a bucket, they pull the rest of the working class back down to the bottom in a misguided belief that, in so doing, they will be protecting their interests. This is not the case. The economic pie is not a fixed size. Providing more to workers will not result in less for business owners. This is not how the economy works.

The size of the economic pie is dependent on productivity, and productivity is determined by working conditions, and good working conditions, therefore, result in more productivity and more economic pie for all of us. This is why supporting unions is

critical. This is why providing health insurance is critical. Family leave, sick leave, fair scheduling and, yes, a living wage, are all additional critical components to increasing productivity. Small business owners need to understand that a minimum wage that covers the cost of living is an investment in their own business and its success.

Retaining a workforce that is well trained and highly productive will save businesses money. It will also expand the consumer base of these businesses, allowing more people to participate in the purchasing of goods and services that would otherwise have been out of their reach. The vast majority of the economic research on this topic supports this statement, and a handful of anecdotal testimonies by restaurateurs--who are either protecting their gross profit margins or have bought into the "bootstraps" myth and are now the crabs pulling the rest of us down--cannot change this.

On the House side, the owner of Tanaka of Tokyo sent two representatives to testify against HB1191 in the Finance committee, stating that the profit margins for T of T are so small that a minimum wage increase would make it significantly harder for them to operate. If the profit margins of T of T are so tight, I wonder that the owner, whose children I attended Hanahau'oli School with, lives in a four story mansion carved into the side of the ridge over-looking Kahala, complete with a swimming pool, basketball court, garage full of luxury cars and even a room stacked high with boxes of luxury cigars (or at least this was the case in 2001). I know because I've been to their house. They are wonderful people, and this is not to say that the hard work he put into founding an international restaurant brand does not deserve its own rewards. But to testify that paying his workers a wage upon which they can survive--just survive--will threaten the existence of his business, when both of his daughters attended private schools, K-12, whose annual tuition is more than the annual take-home pay of a minimum wage worker, is a prime example of an elite looking back over the bridge he crossed to get to where he is, pouring gasoline on it, and lighting it on fire while the rest of us are stuck on the other side.

This is a natural instinct of humankind: to protect, irrationally so in this case, one's own interests. And that is exactly why we need legislators like you to remain grounded in the facts, to remain open to the stories of those without wealth and power, to be conscious of the false narratives and pitfalls that billionaires have passed down to small business owners, and to create government mandates that do what is best for all, not just the privileged few. Please, do the right thing and pass this bill with amendments that would establish a true living wage for all workers, from now into perpetuity.

Mahalo,

Will Caron

Palolo resident and member of the neighborhood board

SB-789-SD-1

Submitted on: 2/25/2019 3:14:38 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Raymond Catania	Individual	Support	No

Comments:

Aloha WAM Chair Donovan Delacruz, Vice Chair Keith Agaran and Committee members,

I support SB789 SD1 with amendments. I would recommend that the minimum wage be raised to a more living wage of \$17 an hour instead of \$15 an hour because of Hawaii's high cost of living, but keeping the tax breaks for small business under 25 employees. Some elected officials have said that now is not the time to raise wages for Hawaii's poorest workers because of natural calamities like volcanic eruptions, heavy rains and flooding and major shoreline erosion- this would actually be a good reason to do so, so that workers can better deal with these problems along with our crushing high cost of living. In August 2015, I along with others went to many blue-collar communities here on Kauai talking about increasing the minimum wage to a more liveable wage of \$15 an hour- most were for it and felt that the discussion had fully matured so that now our State government needed to take some meaningful action and enact a law to do so. Thank you for your time.

Mahalo,

Raymond Catania Puhi,Kauai- Democratic Party member/Labor Caucus

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

**STATE OF HAWAII
DEPARTMENT OF TAXATION**

830 PUNCHBOWL STREET, ROOM 221

HONOLULU, HAWAII 96813

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To: The Honorable Donovan M. Dela Cruz, Chair
and Members of the Senate Committee on Ways and Means

Date: Monday, February 25, 2019
Time: 10:25 A.M.
Place: Conference Room 211, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.B. 789, S.D. 1, Relating to Minimum Wage

The Department of Taxation (Department) appreciates the intent of S.B. 789, S.D. 1, and offers the following comments for the Committee's consideration.

S.B. 789, S.D.1, increases the minimum wage to \$12.00 per hour beginning January 1, 2020 and to \$15.00 per hour beginning January 1, 2023. S.B. 789, S.D. 1, also creates an income tax credit for small businesses. To qualify for the credit, a business must have 50 or fewer employees and no more than \$4,000,000 in gross income for the year. The tax credit is equal to twenty percent of the excess of total hourly wages paid in the year the credit is claimed over the amount paid in the previous year. The credit is capped at \$50,000 per taxpayer per taxable year. The credit is available for five taxable years beginning with the taxable year beginning after December 31, 2019.

First, the Department notes that the proposed income tax credit is not linked to the increase in the mandatory minimum wage. Subsection (a) of the credit states that the purpose of the credit is to offset the increase in minimum wage, however, the way the credit is calculated makes it available to any small business that has an increase in its hourly payroll. This means that a small business could claim the credit for an increase in the wages it pays to employees that are already make more than minimum wage. A small business without any minimum wage employees could claim the credit.

If the intent of the credit is to offset the cost of the increase in the mandatory minimum wage, the Department suggests reformulating the credit so that it is based only on the increase in wages paid that is attributable to the increase in the mandatory minimum wage.

Second, the Department recommends that if the credit is to be structured as a percentage of the increase in "total hourly wages paid", that this term be defined in the bill. As drafted, it is

unclear whether “total hourly wages paid” refers to only the wage paid to the employee or to the wage paid to the employee plus any fringe benefits the employee receives.

Finally, the Department notes that it can administer the new tax credit with the current effective date.

Thank you for the opportunity to provide comments.



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Derek Kurisu, KTA Superstores, *Advisor*

TO:
Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair



FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 25, 2019
TIME: 10:25am
PLACE: Conference Room 211

RE: SB789 SD1 Relating to Minimum Wage

Position: Oppose

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

HFIA opposes this measure to increase the minimum wage to \$15 an hour by 2023. Increasing the minimum wage to economically untenable levels and then attempting to mitigate the negative consequences is not the right choice. This measure recognizes that these sorts of drastic increases in the pay scale can be an overwhelming burden for Hawaii businesses, especially small businesses. Adding the administrative burden of trying to apply for and access a tax credit is not going to undo the damage done by another wage hike.

Locally owned businesses will be the hardest hit by these types of mandates, as they cannot aggregate the profitability and viability of their business across other states that are more business friendly. We would hate to see even more locally owned businesses forced to sell or close by market pressure.

It is worth nothing that currently, the market is working to pay individuals well above the minimum wage. We don't need a mandate to make this happen. Wages are increasing without government mandates.

The minimum wage is a training wage. Employers pay unskilled employees lower wages while also providing them with skills, training, and experience, and preparing them to advance their

careers. Mandating another dramatic increase in the minimum wage will make it harder for employers to provide important entry-level positions to local high school kids. When employers can no longer afford to employ people in these positions they will be forced to either mechanize these roles, eliminate jobs, reduce other benefits, increase prices, sell their business or close their doors. Under this bill a high school student with no experience and training, would be paid \$15 an hour if they voluntarily decline health coverage from their employer because they are covered by their parents' plan.

Many retailers in high minimum wage areas across the country are already moving to eliminate jobs and replacing workers with self serve kiosks and self-checkouts. A recent survey of New York City restaurants found that after a mandate increased wages to \$15hr, over 75% of restaurants reduced employee hours, and over a third eliminated jobs.¹

Businesses in Hawaii face a range of challenges and Hawaii is consistently ranked as one of the most difficult states for doing business. This is the only state in the country where employers are required to provide healthcare for employees working anything over 20 hours a week. It costs thousands of dollars a year beyond just salary for a business to employ a person in Hawaii. This bill will make it even more expensive for businesses in our state to be the employers and job creators that our economy depends on.

Food retailers will be especially hard hit by a measure like this, which will dramatically increase the cost of doing business. Grocery stores generally operate at a profit margin of around 1 or 2 percent. In addition to potentially eliminating jobs, many businesses will be forced to raise prices in order to compensate for a new higher wage scale. This could drive up prices of food and other necessities here, where we already have the highest cost of living in the country.

A correlation between prices and minimum wage increases has been documented. A report from William Blair, a global investment banking and management firm, concluded that when San Francisco's minimum wage increased 14% from \$10.74 to \$12.25 per hour² (May 1, 2015), prices at Chipotle increased proportionately. According to the report: All of the Chipotles in the area saw an "across-the-board" price increase. The hike included the chicken, pork, tofu and vegetarian prices, all of which increased 10 percent. The cost of steak and barbacoa rose 14 percent.

Increasing the price of food in our state is something we should be working to avoid.

Hawaii's minimum wage has increased by over 20% in the past several years, the price of another substantial increase is going to be fewer Hawaii jobs, higher prices for Hawaii consumers, and doors closing on Hawaii businesses. This measure is not the right choice for our state. We ask that this measure be held.

Another option to improve Hawaii's affordability, would be to remove taxes from food. We believe we need to find ways to improve residents' cash flow by addressing taxes on necessity purchases such as food.

¹ <https://www.usnews.com/news/national-news/articles/2019-01-16/survey-new-york-city-restaurants-cut-employees-close-after-mandatory-wage-increases>

² City & County of San Francisco Office of Labor Standards Enforcement. *Minimum Wage Ordinance*. San Francisco, CA, 2015. <http://sfgsa.org/index.aspx?page=411> (accessed Oct. 9, 2015).

Food is a significant expense for Hawaii families. In 2014, the average annual food expenditure for a two-person household was \$9,978 in Maui County, \$9,901 in Kauai County, \$9,467 in Honolulu County, and \$7,676 in Hawaii County. An average two-person household would save more than \$400 each year if food were exempt from the general excise tax, which is significantly more than the existing food income tax credit for low-income families. Larger households would enjoy even more significant savings.

Thirty-two states plus the District of Columbia exempt groceries from their sales taxes. Another six states tax groceries at lower rates than other goods. It is time for Hawaii to join this majority. Hawaii's high cost of living is a constant topic of conversation and each year we see several bills that try to address one aspect of this problem or another. Exempting groceries from the GET is a solution that would effectively make it less expensive to live in Hawaii.

Saving 4.712% on their grocery bill would mean that Hawaii families can put that money towards healthier eating, saving for retirement and investing in their communities. Keeping the money in the local economy and in the hands of people that need it benefits everyone. This exemption would favor lower-income households the most. Lower-income families spend a significantly higher percentage of their income on food.

Thank you for the opportunity to provide this testimony.

TESTIMONY BEFORE THE SENATE COMMITTEE ON
WAYS AND MEANS

RE: SB 789, SD1 - RELATING TO MINIMUM WAGE

THURSDAY, FEBRUARY 25, 2019

MITZIE HIGA, LEGISLATIVE CHAIR
DEMOCRATIC PARTY OF HAWAII LABOR CAUCUS

Chair Dela Cruz and Members of the Committee:

The Democratic Party of Hawaii Labor Caucus **supports SB 789, SD1 with the suggested amendments**, relating to minimum wage.

Our minimum wage workers earn only \$21,000 a year (working full time at \$10.10 per hour) while facing the highest cost of living in the nation. For example, a Hawaii minimum wage worker would have to work 109 hours per week just to pay rent for a 1-bedroom apartment.

This bill will increase our state's minimum wage to \$15 in 2 steps by 2023 which we applaud; however, to make the transition easier on businesses, and to reach our goal of \$17 per hour as the living wage in our state. We suggest added an amendment to section 2, page 3, which will create steps not only to ease the transition for businesses, but also achieve the goal of \$17 per hour as minimum wage by 2025.

Amendment suggestion for SB789, Page 3, beginning with line 21

First, deleting

~~(8) \$12.00 per hour beginning January 1, 2020; and~~

~~(9) \$15.00 per hour beginning January 1, 2023."~~

then inserting new language of:

“(8) \$11.35 per hour beginning January 1, 2020

(9) \$12.60 per hour beginning January 1, 2021;

(10) \$13.85 per hour beginning January 1, 2022;

(11) \$15.10 per hour beginning January 1, 2023;

(12) \$16.35 per hour beginning January 1, 2024;

(13) \$17.00 per hour beginning January 1, 2025”

^Note: Increases by \$1.25 each year, with only a \$0.65 increase in 2025

We must also note that tipped workers in Hawaii currently can be paid even less than \$10.10. Seven states, including Nevada and all of the West Coast, have eliminated this sub-minimum wage for tipped workers and pay all of their workers the same minimum wage. Thus our second amendment suggestion, is that Hawai'i

should join them, too, **with an amendment to eliminate the tip credit. It is time.**

Research shows that higher wages are good for businesses, too. Between 2015 and 2018, Hawai'i's minimum wage increased by 39 percent while our unemployment rate dropped and restaurants hired more servers. That's because higher wages improve worker morale, productivity and loyalty, which saves employers the costs of constantly hiring and training new people. And any extra money paid to minimum wage workers is plowed right back into local businesses, leading to positive ripple effects across our economy.

To provide a living wage to all workers in the Democratic Party of Hawaii Labor Caucus **supports SB 789, SD1, with the suggested amendments.**

SB 789 SD1 Multiple testifiers

From: Patricia Blair
Email: patriciablair@msn.com
Attending the hearing: No

From: Tia Pearson
Email: tia.pearson@gmail.com
Attending the hearing: No

From: Robert Nehmad
Email: rnehmad@hawaii.rr.com
Attending the hearing: No

From: Jonathan Boyne
Email: boyne@hawaii.edu
Attending the hearing: No

From: Kathryn Braun
Email: kbraun2000@gmail.com
Attending the hearing: No

From: April Ching
Email: hollyc@hawaii.edu
Attending the hearing: No

From: John A H Tomoso
Email: john.a.h.tomoso@gmail.com
Attending the hearing: No

From: Sharain Naylor
Email: sasheir@yahoo.com
Attending the hearing: No

From: Justin Wistinghausen
Email: justinmw316@gmail.com
Attending the hearing: No

From: Mary Lu Kelley
Email: mkelley323@gmail.com
Attending the hearing: No

From: Doris Matsunaga
Email: dsegalmatsu@gmail.com
Attending the hearing: No

From: Patricia Wistinghausen
Email: pwistinghausen@gmail.com
Attending the hearing: No

From: Zack Stoddard
Email: zstoddard@gmail.com
Attending the hearing: No

From: Millicent Cox
Email: midicox@gmail.com
Attending the hearing: No

From: Robert H Stiver
Email: bobfromoahu@gmail.com
Attending the hearing: No

From: Darlene Rodrigues
Email: darlene.rodrigues@gmail.com
Attending the hearing: No

From: David Gierlach
Email: david.gierlach@gmail.com
Attending the hearing: No

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee,

Aloha! I support SB 789 SD1, with an amendment. While it is a great start to raise the wage to \$15 by 2023, as this bill would do, I urge the committee to amend it to raise the wage further to \$17.

Why \$17 an hour? According to the Department of Business, Economic Development & Tourism, the "self-sufficiency income" for a single person without children in Hawai'i was close to \$16 an hour in 2016. After adding inflation, the self-sufficiency income is \$17 in 2019.

Currently, our state's minimum wage workers earn only \$21,000 a year (working full time at \$10.10 per hour) while facing the highest cost of living in the nation. We all know that's not enough to survive on here in Hawaii.

A higher minimum wage would put additional money in the pockets of the people most likely to spend at their local businesses. Studies have found that higher wages also mean more productive employees and lower turnover, which reduces employers' turnover, hiring, and training costs.

Mahalo for this chance to provide testimony on such an important bill.

From: John Webster
Email: jwebster@chaminade.edu
Attending the hearing: No

Subject: In support of SB789 SD1: Relating to Minimum Wage

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee,

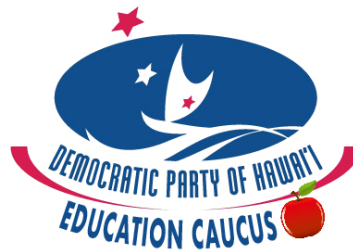
SB 789 SD1, is a great start in addressing the minimum wage issue but only if amended to raise further to \$17.

As you must know, adequate income for a single person without children in Hawai'i was \$16 an hour in 2016. After adding inflation, it rises to \$17 in 2019.

It simply is not possible for a person to survive with dignity until wages are increased.

Thank you for this chance to provide testimony on this urgent matter.

LATE



SENATE BILL 789, SD 1, RELATING TO MINIMUM WAGE

FEBRUARY 25, 2019 · SENATE WAYS AND MEANS
COMMITTEE · CHAIR SEN. DONOVAN DELA CRUZ

POSITION: Support, with amendments.

RATIONALE: The Democratic Party of Hawai'i Education Caucus supports and suggests amendments for SB 789, SD 1, relating to minimum wage, which provides an income tax credit for qualifying small businesses to offset the increase in the minimum hourly rate that employers must pay employees and Increases the minimum wage to \$12.00 per hour beginning 1/1/2020 and \$15.00 per hour beginning 1/1/2023.

A living wage is a human right. According to the Department of Business, Economic Development, and Tourism, a single adult required an income of \$32,957 to achieve self-sufficiency in Hawai'i in 2016, while a single parent with one child required \$56,157. At our current statewide minimum wage rate of \$10.10 per hour, however, a full-time employee earns only \$21,008 annually. Moreover, the National Low Income Housing Coalition's Out of Reach 2018 report estimates that a minimum wage worker would have to work 109 hours per week to afford a one-bedroom rental home at fair market rent, which is the equivalent of nearly three full-time jobs.

Additionally, as the minimum wage increased to \$10.10/hour over the last four years, our local economy has also grown. People earning more income, especially at the lower end of the pay scale, spend money on basic goods and services, thereby putting their increased earnings back

into the local economy, increasing demand, raising local profits, and uplifting the Aloha State's overall economy. Over the same time span, we have experienced record low unemployment and seen the number of small businesses increase. Hawai'i will likely see the same impact under new minimum wage increases, leading to greater prosperity for all.

That said, we suggest **amending this measure to phase in a minimum wage increase to \$17 over five years, with future minimum wage increases linked to the Honolulu region consumer price index** for all urban consumers for the twelve months prior to September 1 of each year as calculated by the United States Department of Labor. Furthermore, we urge you to **revise this measure to eliminate the tip credit contained in HRS §387-2**, thereby preventing low-wage restaurant workers from losing precious earnings. It should also be noted that across the country, restaurant workers and advocacy groups have pointed to the tip credit's impact on sexual harassment, arguing that diners can more easily harass workers who won't retaliate for fear of losing tips. According to Restaurant Opportunities Center United (ROC United), restaurant servers—a group made up predominantly of women—are more likely to endure harassment and abuse from customers, since their livelihoods depend on the tips they earn. Finally, we note that **the tax credit contained in this bill would not necessarily incentivize minimum wage increases and urge you to eliminate it from the measure**. According to the proposal's current tax credit language, the credit is based on an increase in a business's overall wages, rather than wages for minimum wage workers only. If a business paid 10 of its workers \$100,000 in one year, then increased such employees' pay to \$125,000, they could claim credit worth \$50,000, the maximum credit allowable under the bill, without increasing the pay of minimum wage workers at all. Alternatively, the same business could have 10 workers making \$12 an hour in one year, then double their staff to 20 workers in the next year. Even while continuing to pay only \$12 an hour to those workers, they'd get a tax credit of \$49,920.

We must provide economic justice to working families. We should not forego this legislative opportunity to help our islands' working poor, whose financial situation becomes more precarious with each passing year.

LATE



SB 789, SD 1, RELATING TO MINIMUM WAGE

FEBRUARY 25, 2019 · SENATE WAYS AND MEANS
COMMITTEE · CHAIR SEN. DONOVAN DELA CRUZ

POSITION: Support, with suggested amendments.

RATIONALE: IMUAlliance supports and suggests amendments for SB 789, SD 1, relating to minimum wage, which provides an income tax credit for qualifying small businesses to offset the increase in the minimum hourly rate that employers must pay employees and increases the minimum wage to \$12.00 per hour beginning 1/1/2020 and \$15.00 per hour beginning 1/1/2023.

A living wage is a human right. According to the Department of Business, Economic Development, and Tourism, a single adult required an income of \$32,957 to achieve self-sufficiency in Hawai'i in 2016, while a single parent with one child required \$56,157. At our current statewide minimum wage rate of \$10.10 per hour, however, a full-time employee earns only \$21,008 annually. Moreover, the National Low Income Housing Coalition's Out of Reach 2018 report estimates that a minimum wage worker would have to work 109 hours per week to afford a one-bedroom rental home at fair market rent, which is the equivalent of nearly three full-time jobs.

Additionally, as the minimum wage increased to \$10.10/hour over the last four years, our local economy has also grown. People earning more income, especially at the lower end of the pay scale, spend money on basic goods and services, thereby putting their increased earnings back into the local economy, increasing demand, raising local profits, and uplifting the Aloha State's overall economy. Over the same time span, we have experienced record low unemployment and

seen the number of small businesses increase. Hawai'i will likely see the same impact under new minimum wage increases, leading to greater prosperity for all.

That said, we suggest **amending this measure to phase in a minimum wage increase to \$17 over five years, with future minimum wage increases linked to the Honolulu region consumer price index** for all urban consumers for the twelve months prior to September 1 of each year as calculated by the United States Department of Labor. Furthermore, we urge you to **revise this measure to eliminate the tip credit contained in HRS §387-2**, thereby preventing low-wage restaurant workers from losing precious earnings. It should also be noted that across the country, restaurant workers and advocacy groups have pointed to the tip credit's impact on sexual harassment, arguing that diners can more easily harass workers who won't retaliate for fear of losing tips. According to Restaurant Opportunities Center United (ROC United), restaurant servers—a group made up predominantly of women—are more likely to endure harassment and abuse from customers, since their livelihoods depend on the tips they earn. Finally, we note that **the tax credit contained in this bill would not necessarily incentivize minimum wage increases and urge you to eliminate it from the measure**. According to the proposal's current tax credit language, the credit is based on an increase in a business's overall wages, rather than wages for minimum wage workers only. If a business paid 10 of its workers \$100,000 in one year, then increased such employees' pay to \$125,000, they could claim credit worth \$50,000, the maximum credit allowable under the bill, without increasing the pay of minimum wage workers at all. Alternatively, the same business could have 10 workers making \$12 an hour in one year, then double their staff to 20 workers in the next year. Even while continuing to pay only \$12 an hour to those workers, they'd get a tax credit of \$49,920.

We must provide economic justice to working families. We should not forego this legislative opportunity to help our islands' working poor, whose financial situation becomes more precarious with each passing year.



Honolulu County Republican Party

725 Kapiolani Blvd. Ste C105

Honolulu, HI 96813

LATE

To: **COMMITTEE ON WAYS AND MEANS**
Senator Donovan M. Dela Cruz, Chair;
Senator Gilbert S.C. Keith-Agaran, Vice Chair

Date: Monday, February 25, 2019

Time: 10:25am

Place: Conference Room 211
State Capitol, 415 South Beretania Street

Re: **S.B. No. 789 (SD1) RELATING TO MINIMUM WAGE**

The Honolulu County Republican Party **OPPOSES** increasing the minimum wage for the following reasons:

It's a jobs killer: An increase to the minimum wage threatens our already wobbly "mom 'n pop" small businesses in Hawaii and will force more out of business. Any remaining business will hire fewer employees and will cut back on the hours of existing employees.

An increase in the minimum wage will increase prices and the cost of living: It's basic economics: Increased overhead costs mean increased prices. Our small businesses will have to pass on these new labor costs to their customers. This increases our already record high cost of living and will force even more families to move to the mainland

Instead of raising the minimum wage you should be looking at reducing taxes and regulations on small businesses to allow them to keep more of their earnings so they reinvest that money and raise wages as they see fit. Case in point, the local successes of the recent tax cuts implemented by the Trump administration:

- Royal Hawaiian Heritage Jewelry (Honolulu, Hawaii) – The company will open additional retail locations, creating new jobs.
- Hawaiian Electric, Maui Electric, Hawai'i Electric Light (Honolulu, Hawaii) – The utility will passed along tax savings to customers.
- Apple (Three Apple store locations in Honolulu: Ala Moana, Kahala, Royal Hawaiian) - \$2,500 employee bonuses in the form of restricted stock units.
- American Savings Bank (Honolulu, Hawaii) - \$1,000 bonuses to 1,150 employees; base wage raised from \$12.21 to \$15.25.

- Bank of Hawaii (Honolulu, Hawaii) – \$1,000 bonuses to 2,074 employees; base wage raise from \$12 to \$15.
- Central Pacific Bank (Honolulu, Hawaii) – All 850 employees received \$1,000 bonuses; base wage raised from \$12 to \$15.25.
- First Hawaiian Bank (Honolulu, Hawaii) -\$1,500 bonuses to 2,264 employees; base wage increase to \$15.
- Hawaii National Bank (Honolulu, Hawaii) -- \$1,000 bonuses; base wage raised to \$15 per hour.
- Territorial Savings Bank (Honolulu, Hawaii) -- \$1,000 bonuses to 247 employees; base wage raised from \$11.25 to \$15.00 per hour.
- AT&T -- \$1,000 bonuses to 394 Hawaii employees.
- Walmart – Hawaii employees at 10 Walmart stores received tax reform bonuses, wage increases, and expanded maternity and parental leave. Walmart employees who adopt children will be given \$5,000 to help cover expenses.
- Home Depot -- Seven locations in Hawaii - Bonuses for all hourly employees, up to \$1,000.
- Lowe's -- 800+ employees at four store locations in Hawaii. Employees will receive bonuses of up to \$1,000 based on length of service, for 260,000 employees; expanded benefits and maternity/parental leave; \$5,000 of adoption assistance.
- Ryder (Four locations in Hawaii) – Tax reform bonuses to employees.
- Best Buy -- Locations in Aiea and Honolulu; \$1,000 bonuses for full-time employees; \$500 bonuses for part-time employees.
- Cintas (Honolulu, Hawaii) -- \$1,000 bonuses for employees of at least a year, \$500 for employees of less than a year.
- Starbucks Coffee Company (99 locations in Hawaii) – \$500 stock grants for all retail employees, \$2,000 stock grants for store managers, and varying plan and support center employee stock grants.
- T.J. Maxx – (Multiple locations in Hawaii) – Tax reform bonuses, retirement plan contributions, parental leave, enhanced vacation benefits, and increased charitable donations.
- U-Haul (Multiple locations in Hawaii) – \$1,200 bonuses for full-time employees, \$500 for part-time employees.
- FedEx (Multiple locations in Hawaii) – Accelerated and increased compensation; pension plan contributions.
- McDonald's (60+ locations in Hawaii) – Increased tuition investments which will provide educational program access for 400,000 U.S. employees. \$2,500 per year (up from \$700) for crew working 15 hours a week, \$3,000 (up from \$1,050) for managers, and more.

Respectfully,
 Brett Kulbis
 Chairman
 Honolulu County Republican Party



Testimony to the Senate Committee on Ways and Means

Monday, Feb. 25th, 2019 @ 12:30pm

Conference Room 211, State Capitol

RE: Senate Bill 789 Relating to Minimum Wage

Position: Support - Amend to a Living Wage

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

Thank you for this opportunity to testify in support of increasing the minimum wage.

U.S. Chamber of Commerce No Longer Opposing all Minimum Wage Increases

In January the President and CEO of the US Chamber of Commerce for 20 years, Thomas Donohue, said they're not automatically opposing minimum wage increases. "In times past, we always would say, 'Well, wait a minute,' look, these are different times, and we're going to listen. We're not going out and opposing, but some states have got legitimate concerns here."

If he recognizes the need for some states to get raises, Hawaii, with the lowest real minimum wage in the nation is definitely most deserving of one.

Legal starvation wages force full-time workers to struggle

According to the Hawaii's Department of Business Economic Development and Tourism, a single childless adult requires approximately \$35,000 annually, or \$17 per hour to be able to afford their basic necessities working 40 hours a week and 52 weeks a year. At the current legal minimum wage of \$10.10, a full-time workers earns only \$21,000. This requires working adults to either put in 65 hours on the job per week, to sacrifice their well-being by going without their basic necessities, or to depend on the generosity of society to make up the \$14,000 difference.



Low wage floor encourages massive worker exploitation

As many businesses in Hawaii work on slim margins, it's necessary that they reduce their costs wherever possible. If they can find someone to work for \$10.10 per hour rather than \$12 per hour, it is viewed as an effective way to help the bottom line and remain competitive. This race to the bottom might help small businesses stay afloat, but the consequence is that more than 200,000 workers are paid well below the \$17/hr required to keep them alive.

We should not depend on the selflessness of businesses to sacrifice and offer higher wages for the benefit of their employees, but rather we should level the playing field for all businesses. The minimum legal wage should be at least enough to provide that worker the ability to afford their basic needs and not depend on the state or society for help.

Without this mandated wage floor, Hawaii's lawmakers are encouraging and almost requiring businesses to exploit the labor force in order to cut costs. As long as one business is willing to pay below a living wage then many others must be willing to do the same.

Economic growth faster during minimum wage hikes

Despite the consistent rhetoric that our economy will collapse if low-wage workers are paid enough to afford their basic needs, the 4 year period from 2014 to 2018 when the minimum wage increased 39.2% from \$7.25 to \$10.10, the economy grew faster than in the previous 4 years.

From 2010 to 2014, Hawaii's real GDP per capita increased 5.5% compared to the US economy which increased by 7.5%. From 2014 to 2018, Hawaii's real GDP per capita increased 10.4%, while the US economy only grew by 10.0%.

Jobs in Hawaii at all-time highs

Hawaii's employment numbers are currently at all-time highs following 4 straight years of minimum wage increases. In 2014 when the minimum wage was \$7.25, there were 667,000 people employed in Hawaii. In 2018, with a \$10.10 minimum wage, there were 687,000 people employed in Hawaii.

Restaurants have also felt this economic boom by employing 20% more wait staff now than in 2014.



Unemployment near record lows

This 4 year span from 2014 to 2018 was also met with all-time low unemployment rates. The unemployment rate dropped from 4.3% in 2014 to 2.1% in 2018. Finding a job in Hawaii today is easier than when the minimum wage was only \$7.25

Low-wage workers much better off

With the significant increase in the minimum wage, a full-time minimum wage worker earns \$6,000 more per year now than in 2014. As unemployment is near record lows, there is ample opportunity for them to find a job that pays them more. If we continue raising the minimum wage, low and middle income workers will benefit significantly.

All workers better off with minimum wage hikes

This economic boom was felt by workers across the spectrum. From 2014 to 2018 the real median wage of the Hawaii worker increased by more than 5%, after adjusting for inflation. This left the average full-time worker with more than \$2,000 to spend or save. Compared to the period between 2010 and 2014 when real worker wages declined by 4% and left full-time workers poorer by more than \$1,500 annually.

Increases in cost of living were slower during minimum wage hikes

Paying low wage workers more has not shown to lead to massive cost increases for the average consumer. The annual rate of inflation between 2010 and 2014 was 2.3% compared to only 1.9% between 2014 and 2018.



A majority of legislators support a living wage

We are fortunate to live in a Democratic state with so many legislators that stand with Democratic Party principles. A majority in the Senate have already come out to publicly support a living wage including 10 out of 13 members of the Finance Committee: Senators English, Harimoto, Inouye, Kahele, Keith-Agaran, Kanuha, Kidani, Moriwaki, Shimabukuro, and Taniguchi. We are excited that these members now have the opportunity to stand by their positions and honestly represent the needs of their community for a living wage.

This is the entire list of the 17 Senate members that publicly support a living wage:

District 1 - Kaiiali'i Kahele
District 2 - Russell Ruderman
District 3 - Dru Kanuha
District 4 - Lorraine Inouye
District 5 - Gilbert Keith-Agaran
District 6 - Roz Baker
District 7 - Kalani English
District 9 - Stanley Chang
District 11 - Brian Taniguchi

District 12 - Sharon Moriwaki
District 13 - Karl Rhoads
District 16 - Breene Harimoto
District 17 - Clarence Nishihara
District 18 - Michelle Kidani
District 20 - Mike Gabbard
District 21 - Maile Shimabukuro
District 24 - Jarrett Keohokalole

Thank you again for the opportunity to testify. Please amend this language to increase the minimum wage to a living wage and allow this measure to be voted on and passed.

LATE

SB-789-SD-1

Submitted on: 2/24/2019 8:42:02 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Darlene Ewan	Testifying for Aloha State Association of the Deaf	Support	No

Comments:

Aloha State Association of the Deaf supports the bill of increasing the minimum wage from 12 dollars to 15 dollars an hour. This will support and push for more disability workers such as late deafened, hard of hearing, deaf, and deaf-blind living in Hawaii.

Mahalo,

Darlene Ewan

President

LATE

SB-789-SD-1

Submitted on: 2/24/2019 11:07:03 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ann S Freed	Testifying for Hawaii Women's Coalition	Support	No

Comments:



Aloha Chair Dela Cruz, Vice Chair Keith-Agaran and members,

We strongly support this measure. The current minimum wage, while an improvement over the past, is hardly adequate to support low to middle income families in Hawaii. Women in particular are adversely affected as we make 80 cents on the dollar compared to men, are more vulnerable to slipping below the poverty line and often single parents.

Please pass,

Mahalo,

Ann S. Freed

Co-Chair Hawaii Women's Coalition



LATE

Monday, February 25, 2019

Senate Bill 789 SD1
Testifying in Support With Amendments

Aloha, Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee on Ways and Means,

The Democratic Party of Hawai'i (The Party) **supports SB789 SD1 Relating to the Minimum Wage and offers amendments.** The bill increases the minimum wage to \$12.00 per hour beginning January 1, 2020 and \$15.00 per hour beginning January 1, 2023.

The Party appreciates the intent of this measure and agrees that the minimum wage needs to be increased beyond its current \$10.10 an hour level.

Workers earning the minimum wage today are making only \$21,000 annually. This in the state with the highest cost of living and among the highest housing costs in the country. At this wage, it's no wonder we have the highest per-capita rate of homelessness in the nation. Working full-time at the current \$10.10 an hour, an individual has to work 109 hours a week to afford a one-bedroom apartment.

Despite messaging to the contrary, the minimum wage was not initially established to provide an "opening" or "training" wage for young or new workers. It was never intended as a starting wage for teenagers joining the workforce. In fact, in the wake of industrialization and the Great Depression, the federal minimum wage was established to ensure workers were being paid enough to survive.

According to DBEDT's Self-Sufficiency Income Standard¹, in 2016, an individual living in Honolulu needed to be making \$33,350 a year to be "self-sufficient." This works out to \$15.84 per hour. This works out to \$17 in 2019. It is for this reason primarily that the Party, working with the Raise Up Hawai'i Coalition, believes the State Legislature should move the minimum wage to \$17 an hour as quickly as possible, but slowly enough to allow businesses to adapt and to avoid job losses.

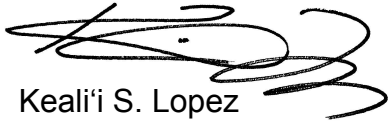
From 2014, when the last minimum wage increase was passed, to 2018 Hawai'i's unemployment rate dropped for each of the four consecutive years the minimum wage increased. Obama's Council on Economic Advisors looked at 19 state-level minimum wage increases and concluded that "the recent legislation contributed to substantial wage increases with no discernible impact on employment levels or hours worked."

The Party recognizes the challenges small businesses face in Hawai'i, but we do not believe those challenges should be prioritized over the needs of working people. The talking points

from the Chamber of Commerce and the Restaurant Association are based on conjecture and are designed to instill fear in legislators. It is important we find a way to address the reasonable concerns of small businesses while ensuring one job is enough to make a living in Hawai'i.

For all these reasons, we urge you to pass this bill, with amendments.

Mahalo for the opportunity to testify,



Keali'i S. Lopez
Chair, Democratic Party of Hawai'i

1. http://files.hawaii.gov/dbedt/economic/reports/self-sufficiency/self-sufficiency_2016.pdf

LATE

SB-789-SD-1

Submitted on: 2/24/2019 2:54:32 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Leimomi Khan	Individual	Support	No

Comments:

According to the Department of Business, Economic Development & Tourism, the "self-sufficiency income" for a single person without children in Hawai'i was close to \$16 an hour in 2016. After adding inflation, the self-sufficiency income is \$17 in 2019.

Accordingly, I support this bill as a means to assure that Hawaii's citizens will earn a living wage. Under the current wage scale, few of Hawaii's citizens can afford living expenses, including difficulty with buying power such as mortgages and purchasing healthy foods.

However, I am likewise concerned about rising costs of living. According to many of the businesses who gave testimony, the price of another substantial increase is going to be fewer Hawaii jobs, higher prices for Hawaii consumers, and doors closing on Hawaii businesses. Yet, I did not see in those testimonies any commitment to keep prices at or below where they are now. Our experience, as a consumer, has been that when oil costs went up, the cost of goods to consumers went up. When oil prices went down, businesses did not bring their prices down.

This is a vicious circle. I feel that unless big businesses can commit and come up with a plan to keep prices affordable in the next few years in order to afford the price of living in Hawaii, I must urge passage of this bill.

LATE

SB-789-SD-1

Submitted on: 2/24/2019 6:14:30 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Dawn Morais Webster Ph.D.	Individual	Support	No

Comments:

Thank you for giving a living wage your time and attention. The fact that so many minimum wage bills have been considered and are moving forward gives all of us hope that the legislature will give low income workers a MEANINGFUL raise and not make them wait years to see increases too small to make a difference. We have all become very familiar with the fact that too many in Hawaii are mired in poverty, or are teetering close to it. The houseless encampments tell a tragic story of avoidable suffering. I see the challenge of poverty among my students at UH Manoa, juggling jobs and study while also trying to help grandparents and parents with household expenses. We can do better. There are just too many people having to dedicate a third of their meagre earnings to rent, and even then they struggle to keep from being evicted. A business model that depends on workers being paid LESS than the minimum they need to just SURVIVE is a business model that is exploitative and broken. The state knows from its own research that a single person with no children needs at least \$17 an hour to keep a roof over their heads and food on the table. If business will not respond to this fact, the state must step in. We cannot keep trying to attract visitors while failing to adequately care for those whose often hidden labors make visits so enjoyable for tourists even while their own lives are so painful.

Please amend this bill to move it closer to a real LIVING wage and put mechanisms in place so that it will get automatically adjusted in line with the C.P.I. Thank you for doing all you possibly can to lift people, many of them children, out of poverty.

LATE

SB-789-SD-1

Submitted on: 2/24/2019 6:43:43 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
SUSAN P HUGHES	Individual	Oppose	No

Comments:

As business owner I oppose the minimum wage bill. Some of these people ought to be paying me to train them!

LATE

SB-789-SD-1

Submitted on: 2/25/2019 2:06:52 AM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Kim Coco Iwamoto	Individual	Support	No

Comments:

Testifying in SUPPORT with AMENDMENTS

Both MIT and DBEDT have identified that working people in Hawaii need to earn \$17/hour, working full-time, to meet the high costs of living in Hawaii - that would be a livable wage today, right now. Accordingly, by 2023, Hawaii workers should be earning a minimum of \$22/hour at the rate our economy is going.

I urge this committee to amend the SB789 SD1 to \$22/hour minimum wage by 2025.

In addition, please amend the definition of "qualified small business" to reflect that 25 employees is a a qualified small business and 50 employees is more like a medium business.

Further, the tax credit should only apply to salaries paid to minimum wage earners, and the difference between what they made the previous year. It is absurd to think that a business owner could claim a tax credit on the difference in salary an employee earning \$250K, now earning \$500K- that is incredibly arbitrary. The tax credit should have a limited nexus to the minimum wage issue forwarded in this bill.

Thank you for your consideration,

Kim Coco Iwamoto

SB-789-SD-1

Submitted on: 2/25/2019 7:08:12 AM

Testimony for WAM on 2/25/2019 10:25:00 AM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Kai Lorinc	Individual	Oppose	No

Comments:

I support tax breaks for small businesses, this is an empty incentive developed to silence opposition to increasing the minimum wage.

LATE

SB-789-SD-1

Submitted on: 2/25/2019 7:13:00 AM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Tracey Clay-Whitehurst	Individual	Oppose	No

Comments:

SB-789-SD-1

Submitted on: 2/25/2019 7:45:17 AM

Testimony for WAM on 2/25/2019 10:25:00 AM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Quentin Whitehurst	Individual	Oppose	No

Comments:



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922



The Thirtieth Legislature, State of Hawaii
The Senate
Committee on Ways and Means

Testimony by
Hawaii Government Employees Association

February 25, 2019

S.B. 789, S.D. 1 – RELATING TO MINIMUM WAGE

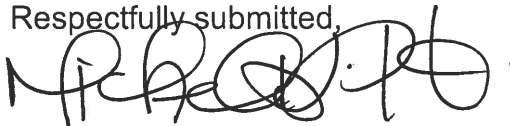
The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO conceptually supports S.B. 789, S.D. 1 which provides an income tax credit for qualifying small businesses to offset the increase in the minimum hourly rate that employers must pay employees and increases the minimum wage to \$12.00 per hour in 2020 and \$15.00 per hour in 2023.

While it is meritorious to address the financial impact on small businesses, there may be significant challenges to implement, enforce, and ensure Employers do not abuse the employer tax credit. We respectfully question if there are provisions to prohibit an Employer from arbitrarily reducing current above-minimum employee wages or withholding increases to above-minimum wage earners in future years to qualify for the tax credit. In the worst case scenario, the state could be incentivizing wage suppression. Abusing tax credits will not only harm the minimum wage employee, but also has the potential to adversely impact the state treasury.

Further, although not contained in this specific measure, we are supportive of more aggressive increases to the minimum wage and/or subsequent indexing to the Honolulu Consumer Price Index. We believe these salary increases will help spur Hawaii's economy and generate much needed consumer spending.

Thank you for the opportunity to testify in support of S.B. 789, S.D. 1.

Respectfully submitted,


Randy Perreira
Executive Director

SB-789-SD-1

Submitted on: 2/25/2019 8:56:57 AM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Dr Marion Ceruti	Individual	Oppose	No

Comments:

The Hawai'i state legislature should repeal all mandatory minimum wage laws. No government should tell businesses what to pay workers. People should be paid what they are worth to the company for which they work. If their wages are not high enough, the workers should study to qualify for more degrees, skills, and certifications. Many workers lose their job when minimum wage increases because companies must pay workers more than they are worth to the companies. Minimum wage increases cause businesses to close because they can't afford to pay workers with minimum wage increases. Experienced workers will demand a higher wages than newly hired workers even if their wage already is over the minimum. Minimum wage laws increase costs much more than business other costs, because often times labor is the largest expense. Business charge more for goods and services to make up for the increased expenditure. The cost increases never stop.

Retired kupuna on fixed incomes do not have income increases whenever the minimum wage increases. Minimum wage looks nice on the surface but causes a significantly negative ripple effect in the economy. Hawai'i's cost of living is already too high. Vote NO on SB 789.

LATE

SB-789-SD-1

Submitted on: 2/25/2019 9:41:53 AM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Dylan P. Armstrong	Individual	Support	No

Comments:



SB-789-SD-1

Submitted on: 2/25/2019 1:47:01 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Stefani jeremiah	Individual	Oppose	No

Comments:

LATE

SB-789-SD-1

Submitted on: 2/25/2019 5:31:54 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ben Tamamoto	Individual	Oppose	No

Comments:

The real question here is should you in government have the power to tell a private company what to pay an individual? My answer is no. You should not have that power.

LATE

SB-789-SD-1

Submitted on: 2/25/2019 4:01:42 PM

Testimony for WAM on 2/25/2019 10:25:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Daniel Alvarez	Individual	Oppose	No

Comments: