

SENATE BILL REPORT

SB 5768

As Reported By Senate Committee On:
Commerce & Trade, March 5, 2003

Title: An act relating to establishing an adjusted minimum tipped wage rate.

Brief Description: Establishing an adjusted minimum tipped wage rate.

Sponsors: Senators Honeyford, Stevens, Horn, Esser, Schmidt, West, Hale and Deccio.

Brief History:

Committee Activity: Commerce & Trade: 2/20/03, 3/5/03 [DPS, DNPS].

SENATE COMMITTEE ON COMMERCE & TRADE

Majority Report: That Substitute Senate Bill No. 5768 be substituted therefor, and the substitute bill do pass.

Signed by Senators Honeyford, Chair; Hewitt, Vice Chair; and Mulliken.

Minority Report: Do not pass.

Signed by Senators Franklin and Keiser.

Staff: Jennifer Ziegler (786-7316)

Background: The Department of Labor and Industries must calculate an adjusted minimum wage rate on September 30 of each year. The department must increase the current year's minimum wage rate by the rate of inflation.

Current law requires employers to pay an employee who is 18 years or older the state's adjusted minimum wage rate. Employers of employees who receive tips must pay those employees the state's adjusted minimum wage rate.

The current state adjusted minimum wage rate is \$7.01 per hour.

Summary of Substitute Bill: The department must establish an adjusted minimum tipped wage rate each year. The adjusted minimum tipped wage rate must be equal to 50 percent of the state's adjusted minimum wage rate, but no less than \$7.01 per hour.

The department must establish a process for certifying employers of directly tipped employees. Employers must report to the department the total tips of directly tipped employees and total hours worked by directly tipped employees during the previous year. If the total tips divided by the total hours worked is more than the state's adjusted minimum wage rate, the department must certify the employer as eligible to pay the tipped wage rate.

Directly tipped employees are those employees who regularly receive gratuities from the customer in recognition of the service performed.

Substitute Bill Compared to Original Bill: A technical correction is made so the bill does not apply retroactively.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: The highest minimum wage states also have the highest unemployment rates. Employers must decrease staff to keep up with costs. Washington restaurant prices are 15 percent higher than the prices in other states. The employees who are really hurt are the non-tipped employees. Some employers have had to decrease meal discounts, stop paying for uniforms, and decrease their advertising budgets.

Testimony Against: Seventy-five percent of minimum wage workers are adults and many are female. The increasing minimum wage has resulted in growth in the retail industry. Workers are not able to live on tips alone. A lower wage might result in the need for public assistance. The hospitality industry is not a full-time industry. It is not the small local restaurants who are complaining about the minimum wage, it is the big companies. Tips are not guaranteed income.

Testified: John R. Hoehl, Jr., Billy McHales' Corporation (pro); Jim Prinzing, Marie Callenders (pro); David Allen Davis, Longhorn Barbecue (pro); Joel Starr, The Flying Pig Brewing Co. (pro); Susan Larson, Duffy's, Bee Hive (pro); Michael Ramos, WA Assn. of Churches (con); "Catt" Dodd, Joey Blueplate Bistro, HERE Local #8 (con); Martha Songstad-Hayes, Eleni Henry, Dan Maxherme, Dan Carroll, John D. Cummins, HERE Local #8 (con); Stan Bowman, Denny Eliason, WA Restaurant Assn. (pro); Jeff Johnson, WA State Labor Council AFL-CIO (con).