

HOUSE COMMITTEE ON BUSINESS AND CONSUMER AFFAIRS

March 10, 1999 Hearing Room E

8:30 a.m. Tapes 51 - 53

MEMBERS PRESENT: Rep. Roger Beyer, Chair

Rep. Dan Gardner, Vice-Chair

Rep. Tim Knopp, Vice-Chair

Rep. Jason Atkinson

Rep. Bill Morrisette

Rep. Terry Thompson

Rep. Jackie Winters

MEMBER EXCUSED:

STAFF PRESENT: Keith Putman, Administrator

Frances Thomas, Administrative Support

MEASURE/ISSUES HEARD: HB 2793 PUBLIC HEARING

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 51, A		
001	Chair Beyer	Calls the meeting to order at 8:35 a.m.

HB 2793 PUBLIC HEARING

005	Chair Beyer	Opens a Public Hearing on HB 2793.
	Mike McCallum	Executive Vice President, Oregon Restaurant Association (ORA). Testifies in support of HB 2793. Explains provisions of HB 2793. Notes current minimum wage is \$6.50 per hour. States the tip provisions in HB 2793 will have no effect unless employees are earning in excess of \$10.00 an hour (EXHIBIT A).
086	McCallum	References EXHIBIT A , page 10. Indicates Oregon needs HB 2793 because minimum wage does not work without it.
144	Chair Beyer	Asks about line 15 on page 3, should the wording be employer "shall not" taking action against employees.
147	McCallum	Indicates it is the committee's preference of "may" or "shall."
149	Rep. Gardner	Asks about the legal consequence to an employer who took action against an employee.
152	McCallum	Responds he is unsure.
161	Rep. Gardner	Ask about Washington State matching Oregon's minimum wage.
168	McCallum	Notes Washington State's minimum wage is \$6.50.
170	Rep. Gardner	Asks for data from Department of Employment (DOE) showing the increase in wages for cooks over the past few years.
176	McCallum	States the employment data does not contain that material.
182	Rep. Gardner	Asks where in HB 2793 it states the mandatory increase, from the decrease in salary to wait staff, goes to the cooks.
184	McCallum	States there is no wage decrease for current employees in HB 2793.
193	Rep. Thompson	Asks if Section 5, B indicates any employee hired after the year 2000 would come under the lower wage.
205	McCallum	Answers employees will be hired at the minimum wage. Adds if the employee reports to the government they earn in excess of \$4.50 per hour their wage could be adjusted to \$5.50 per hour.

217	Rep. Thompson	Asks about employees on the coast returning for the next tourist season at a lower wage.
223	McCallum	Indicates the employer can opt to pay what is needed to entice employees to return.
230	Rep. Morrisette	Asks if HB 2793 has a financial benefit to employers.
236	McCallum	Answers there is approximately 25 million dollars in wages displaced per every 50 cent increment to tipped employees.
248	Rep. Gardner	Asks about a restaurant closing and reopening under another name.
256	McCallum	Notes the cost to the establishment would outweigh any benefits to the employer.
299	Jim Terborg	<p>Lundquist College of Business Administration, University of Oregon. Testifies about a survey conducted in late December 1998 early 1999. Discusses general results of survey:</p> <ul style="list-style-type: none"> Increases in minimum wage benefits some hourly employees while limiting the wages of other Higher minimum wage results in higher menu prices, reduced employee hours and reduced number of employees (EXHIBIT B).
356	Terborg	References chart on page 4 of EXHIBIT B . Explains comparisons of cross-section of employment growth in Oregon as a function of population growth for two years before and after the 1997 increase in minimum wage. Compares employment growth in Washington State as a function of population growth.
<u>TAPE 53, A</u>		
010	Terborg	References chart on page 5 of EXHIBIT B .
030	Terborg	References page 2 of EXHIBIT B .
049	Terborg	References chart on page 3 of EXHIBIT B .
054	Rep. Morrisette	Asks for the reason behind the "blind" survey. Asks about proportional relationship between the studies.
075	Terborg	Answers he is unsure how many of the respondents are members of the ORA. Continues a double blind survey was done because the ORA thought disclosure was necessary.

101	Rep. Gardner	Asks what areas of the state had better responses to the survey.
109	Terborg	Notes that information is on page 3 of EXHIBIT B .
120	Rep. Gardner	Asks if Terborg is a paid consultant for ORA.
124	Terborg	Answers affirmatively. Questions relevance of that inquiry.
127	Rep. Gardner	Notes it is a conflict of interest.
138	Marilee Basaraba	Tip Coordinator for the Northwest District with the Internal Revenue Service. Notes tips are considered income. Adds that employees are required to keep track daily of tips earned. Continues 100 percent of tips need to be reported. States the non-compliance ranges from 9 to 30 billion dollars (EXHIBIT C).
164	Basaraba	References Summary of Tip Law, EXHIBIT C .
194	Basaraba	Reference Track Program ñ A guide to Tip Income Reporting EXHIBIT C .
237	Basaraba	Notes the results of the Track Program nationwide, 20% increase in filing. Adds Oregon had a 44% increase in tips reported.
289	Rep. Gardner	Asks about IRS form 8846 that gives employers a credit for social security and Medicare taxes. Inquires if there is a credit back for the amount paid on tip wages.
320	Basaraba	Responds that is the code section 45, B credit, allowing a credit to offset the income tax liability.
339	Rep. Morrisette	Asks if McCallum helped write HB 2793.
342	McCallum	Answers yes.
354	Rep. Morrisette	Asks if HB 2793 effects more than the restaurant industry.
350	McCallum	Answers yes. States this is industry wide. Indicates he is unsure of any other areas that will be effected. Indicates HB 2793 is not restaurant industry specific.
364	Rep. Gardner	Asks about farm workers having to work at entry level wages because of the movement from farm to farm.
377	McCallum	States HB 2793 is not a minimum wage bill.

385	Rep. Morrisette	Asks for data relating to the purchase power of minimum wage now compared to 1977. Asks if the minimum wage has kept up with inflation.
400	McCallum	Indicate HB 2793 is a minimum wage bill as relating to minors for the first 60 days.
411	Rep. Gardner	Asks why not bring this issue back to the voters who passed it.
415	McCallum	Notes it is the legislature's responsibility to make the laws passed by the voters work.
435	Rep. Avel Gordley	District 10, Portland. Testifies in opposition to HB 2793 (EXHIBIT D) .
TAPE 52, B		
022	Senator Susan Castillo	District 20, Eugene. Testifies in opposition to HB 2793. Notes the minimum wage figures into how the tip credit would work.
070	Rep. Diane Rosenbaum	District 14, Portland. Testifies in opposition to HB 2793. States this committee does influence the public's opinion of voter treatment. Indicates HB 2793 singles out worker classes. Urges the committee to vote no on HB 2793 and listen to the voters.
120	Rep. Winters	Asks if Measure 5 should not have been repaired.
181	Rep. Rosenbaum	Indicates that sometimes technical changes need to be made.
192	Rep. Gardner	Asks if the tip credit issue has been around the Legislature for a long time.
195	Rep. Rosenbaum	Answers yes.
200	Senator Tony Corcoran	District 22. Testifies in opposition to HB 2793. Indicates voters are tired of the Legislature overturning things voted on by initiative. States minimum wage initiative passed by a greater margin than any other ballot measure at that time. Indicates Measure 47 was fixed within the confines of the original measure.
225	Chair Beyer	Asks if Measure 50 was to fix Measure 47.
230	Sen. Corcoran	Answers Measure 47 was flawed. Adds changes were made within the confines of Measure 47 to create Measure 50.
262	Sen. Corcoran	Suggests putting this issue out to the voters as an initiative.

280	Rep. Rosenbaum	States the last time the minimum wage issue was proposed it was not able to get a hearing.
293	Rep. Winters	Notes data from employment division that stated in January there were 3100 jobs in the restaurant industry that had been lost. Asks why there were 3100 jobs lost in that month.
310	Rep. Rosenbaum	Recommends getting someone from the employment division to answer that question.
320	Sen. Corcoran	Suggests going back and looking at the seasonal fluctuations in the industry.
335	Rep. Morrisette	Asks if a minor could be denied the minimum wage under HB 2793 due to the nature of the work.
355	Rep. Rosenbaum	Indicates this is what the language of the bill permits.
362	Rep. Morrisette	Asks why there is a need to mix the two issues in one bill.
380	Sen. Corcoran	Answers this issue was before the Legislature last session and there were four separate components that have now been combined. Indicates it is a method of political strategy.
390	Rep. Jeff Kruse	District 45. Testifies in support of HB 2793. Notes HB 2793 is not about minimum wage. States the people being hurt are the people behind the scenes.
<u>TAPE 53, B</u>		
010	Rep. Steve Harper	District 53. Testifies in support of HB 2793. Notes he carried another version of this bill on the floor. Indicates the impact of a wage increase will be a reduction in the hours worked, reduction of jobs and an increase in price. Notes impacts to small business will be severe. Notes minimum wage is not a living wage and is not designed to be.
053	Rep. Morrisette	Asks if Rep. Harper selects a restaurant based on the quality of service and food.
060	Rep. Harper	Answers yes.
070	Rep. Morrisette	Asks if a restaurant owner would cut corners on food quality or service due to an increase in the minimum wage.
075	Rep. Harper	Notes that restaurants will under pay the cooks and bus people rather than cut corners in food or service.

100	Michael Dale	Oregon Law Center (OLC). Testifies in opposition to HB 2793. Notes farm workers be hurt most by HB 2793. Indicates farm worker youth play an important part in the harvesting of the food that is on the table of Oregonians (EXHIBIT E) .
140	Ramón Ramirez	President Oregon Farm Workers Union, Northwest Tree Planters and Farm Workers United. Testifies in opposition to HB 2793. Notes farm workers are Oregonis and Americaís lowest paid workers. Adds a farm workers annual income is approximately \$6,500.00 (EXHIBIT F)
186	Chair Beyer	States HB 2793 has a provision that includes a minor in agricultural piece-rate pay, shall be paid no less than the piece-rate pay the employer pays to individuals 18 years of age or older. Notes there will be no differential for minors and non-minors in piece-rate.
193	Dale	Indicates it is true that minors must be paid the same piece-rate. Notes at the piece-rate sometimes it is not possible to make minimum wage. Notes in that case the minimum wage serves as a floor under wages.
201	Rep. Morrisette	Asks if HB 2793 is about minimum wage for farm worker youth.
207	Ramirez	Indicates HB 2793 attempts to exclude young farm workers from receiving the minimum wage.
211	Rep. Gardner	Asks about the 60 day provision of moving from farm to farm and crop to crop.
219	Ramirez	Responds that is correct. Notes crops have different seasons.
225	Rep. Thompson	Asks for statistics dealing with how many workers are hired under the piece-rate versus the minimum wage.
230	Rep. Morrisette	Asks if HB 2793 will affect young people in the fishing industry.
235	Dale	Responds HB 2793 affects all youth in any industry.
245	Rep. Thompson	States fishing industry starting wage is \$7.50, so it is not effected by the minimum wage.
259	Job Pozos	Testifies in opposition to HB 2793. States HB 2793 will create problems and farm workers will make less to live on. Indicate this is a form of discrimination (EXHIBIT G) .
295	Rep. Knopp	Asks if it is his testimony that young farm workers will commit crimes because they are not earning a livable wage.

297	Pozos	Indicates that is a possibility.
300	Leonides Avila	Testifies in opposition to HB 2793. Reads written testimony in Spanish and translated by Ramón Ramirez (EXHIBIT H).
347	Brian Mayne	Cook, Outback Restaurant. Testifies in support of HB 2793. Notes he is a full time student working two jobs. States tipped workers make more per hour than kitchen staff.
400	Rep. Gardner	Asks how not passing HB 2793 would increase Mayne's hours so he could work only one job.
415	Mayne	Answers this change would allow restaurant owners to give workers more hours.
420	Rep. Thompson	Asks if tipped employees share tips.
425	Mayne	Answers no.
433	Rep. Morrisette	Asks if service suffers because of the increase in minimum wage.
437	Mayne	Answers yes.
446	Rochelle Hogal	Outback Steakhouse waitress. Testifies in opposition to HB 2793. Indicates the increase in minimum wage has decreased her income. Continues her hours were cut due to the wage increase.
<u>TAPE 54, A</u>		
015	Rep. Thompson	Asks if her hours cut were the more productive hours of the restaurant.
017	Rochelle	Answers yes.
018	Rep. Gardner	Ask why a restaurant would reduce hours of wait staff.
025	Rochelle	States Outback does not compromise service. Notes Outback maintains 3 tables per server.
053	Rep. Morrisette	Notes if the wait is too long people would not return to the restaurant.
060	Rochelle	Notes that people will wait at the Outback because of the good food and service.

088	Rep. Gardner	Asks if Ms. Rochelle shares tips with the kitchen staff.
090	Rochelle	Answers no.
099	Rep. Gardner	Asks if a tip is a wage or a gratuity.
101	Rochelle	Answers it is a gratuity based on how well her job is done.
120	Heidi Schwartz	Outback server, Eugene. Indicates the workers behind the scenes need to make more money. Notes hours have been cut back due to the minimum wage increase.
135	Rep. Morrisette	Asks if the cut back in hours is the fault of the management or the minimum wage increase.
140	Schwartz	Answers she does not blame management. Explains she tips busers, and the hostess, out of the tips she makes.
181	Rep. Gardner	Notes workers in the back of the restaurant did receive a .50 cent raise when the minimum wage was increased.
205	Sandra Henson	Walport. Testifies in opposition to HB 2793. Notes there is no provision in HB 2793 for people who make more than minimum wage. Indicates there is also no provision in HB 2793 for a raise. Notes she takes a month off in the winter so she will not be laid off.
265	Rep. Winters	Asks Henson her tip income per week.
299	Henson	Answers that her annual tipped income reported to IRS equals less than \$15,000.
325	Brian Hoop	Portland. Testifies in opposition to HB 2793. Presents statistics about restaurant workers in Portland. States many do not have health care (EXHIBIT I).
388	Joanne Colum	Restaurant Worker, Hermiston. Testifies in opposition to HB 2793 (EXHIBIT J).
424	Rep. Morrisette	Expresses that people that have taken the time to prepare written testimony should be allowed to read it.
430	Chair Beyer	Notes he will take that into consideration.
449	Rep. Thompson	Asks for clarification of how tips are to be calculated.

		Staff distributes material submitted prior to hearing (EXHIBITS K, L, & M)
462	Chair Beyer	Adjourns the meeting at 11:05 a.m.
		Signed petitions were submitted to staff after the meeting (EXHIBIT N) .

Submitted By, Reviewed By,

FRANCES THOMAS, KEITH PUTMAN,
Administrative Support Administrator

Transcribed By,

SAMANTHA DEMCHAK,
Administrative Support

EXHIBIT SUMMARY

A ñ HB 2793, written information, Mike McCallum, 19 pp.

B ñ HB 2793, written testimony, James Terborg, 5 pp.

C ñ HB 2793, written information, Marilee Basaraba, 8 pp.

D ñ HB 2793, written testimony, Senator Avil Gordly, 2 p.

E ñ HB 2793, written testimony, Michael Dale, 2 pp.

F ñ HB 2793, written information, Ramon Ramirez, 31 p.

G ñ HB 2793, written testimony, Job Pozos, 1 p.

H ñ HB 2793, written testimony, Leonides Avila, 1 p.

I ñ HB 2793, written testimony, Brian Hoop, 11 pp.

J ñ HB 2793, written testimony, Joanne Colum, 3 pp.

K- HB 2793, written testimony, staff, 16 pp.

L ñ HB 2793, written testimony, staff, 1 p.

M - HB 2793, written testimony, staff, 2 pp.

N ñ HB 2793, oversized exhibit, Jeannie Berg-Rempel, 534 pp