

LEGISLATIVE RESEARCH REPORT

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HISTORY OF THE MINIMUM WAGE IN ALASKA

PREPARED FOR REPRESENTATIVE LES GARA

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You asked about the history of the minimum wage in Alaska. Specifically, you asked the following questions:

- ♦ What would the minimum wage be today if the inflation-proofing requirement was still in place?
- ♦ When was the 2002 ballot measure on the minimum wage certified?
- ♦ Did the legislature subsequently change the language of the ballot measure?
- ♦ Did the language in the 2002 statute require that the Alaska minimum wage be a certain dollar amount, or that it would be a specific amount over the federal minimum wage?

INFLATION-PROOFING THE MINIMUM WAGE

You asked us to determine what the minimum wage would be as of October 1, 2006 if the inflation-adjustment provision had not been removed from the statutes. Based on our

calculations, if the minimum wage had been adjusted for inflation each year since 2003, the **current minimum wage would be \$8.00 per hour.**

The calculation is based on the Anchorage Consumer Price Index (CPI), which is the rate used to adjust the minimum wage. Since the annualized CPI rate for each year is not available until January of the following year, and because the minimum wage was to be adjusted on September 30 of each year, the calculation becomes a little more complex. To arrive at the appropriate adjustment, we took the CPI for the first half of one year and the second half of the previous year, divided by two to get the average, and then calculated the percentage difference from the year before.¹ This is the rate that would be applied to the minimum wage in order to make the adjustment for inflation.

HISTORY OF THE MINIMUM WAGE

As you know, the federal Fair Labor Standards Act (FLSA), first passed by Congress in 1938, addresses many employment issues including overtime and the minimum wage. Congress set the first federal minimum wage at \$0.25 per hour.² States could also set their own minimum wages, and in 1959 the first Alaska legislature established the Alaska minimum wage at \$1.50 per hour—at that time, the federal minimum wage was \$1.00 per hour.³ As with the FLSA, Alaska law included several exemptions to coverage by the minimum wage requirement, including farmers, fishermen, domestic help, and public employees.⁴

In 1962, the Alaska legislature changed the statute so that the minimum wage in Alaska was not less than \$0.50 per hour greater than the federal minimum wage, which at that time was \$1.25 per hour.⁵ In 1974, the Alaska legislature again addressed the issue of the minimum wage, and amended the statute to establish the minimum wage at “not less than 50 cents an hour greater than the prevailing Federal Minimum Wage Law or \$2.60 an hour, whichever is greater.”⁶ In 1990, the legislature included a requirement that school bus drivers must be paid a rate of not

¹ This is the method recommended by the Department of Labor and Workforce Development when we first made this calculation in response to your question in December 2004.

² “Federal Minimum Wage Rates Under the Fair Labor Standards Act,” Wage and Hour Division, Employment Standards Administration, U. S. Department of Labor, <http://www.dol.gov/esa/minwage/chart.htm>.

³ Section 5, Chapter 171, SLA 1959.

⁴ Section 2, Chapter 171, SLA 1959. According to the U. S. Department of Labor, “The 1938 Act was applicable generally to employees engaged in interstate commerce or in the production of goods for interstate commerce. The 1961 Amendments extended coverage primarily to employees in large retail and service enterprises as well as to local transit, construction, and gasoline service station employees. The 1966 Amendments extended coverage to State and local government employees of hospitals, nursing homes, and schools, and to laundries, dry cleaners, and large hotels, motels, restaurants, and farms. Subsequent amendments extended coverage to the remaining Federal, State, and local government employees who were not protected in 1966, to certain workers in retail and service trades previously exempted, and to certain domestic workers in private household employment.”

⁵ Section 4, Chapter 2, SLA 1962.

⁶ Section 1, Chapter 41, SLA 1974.

less than two times the minimum wage.⁷ Table 1 shows the amount of the minimum wage in Alaska from 1959 to the present.

Table 1: Minimum Wage in Alaska		
Year	Alaska	Federal
1959-1962	\$1.50	\$1.00
1963-1967	\$1.75	\$1.25
1968-1974	\$2.10	\$1.60
1975-1978	\$2.80	\$2.30
1979	\$3.40	\$2.90
1980	\$3.60	\$3.10
1981-1990	\$3.85	\$3.35
1991	\$4.30	\$3.80
1992-1996	\$4.75	\$4.25
1997	\$5.25	\$4.75
1998-2002	\$5.65	\$5.15
2003-2006	\$7.15	\$5.15
Sources: Alaska Department of Labor, U. S. Department of Labor		

As you know, last week the U. S. House of Representatives passed HR 2, the Fair Minimum Wage Act of 2007, by a vote of 315-116.⁸ This act, which is now on the Senate calendar, raises the federal minimum wage to \$5.85 per hour in 2007, \$6.55 in 2008, and \$7.25 in 2010.

INITIATIVE 01MNWG

In 2001, representatives of both private and public sector unions proposed a voter initiative to raise the minimum wage to \$7.15 per hour and to provide for annual inflation adjustments, based on the Anchorage Consumer Price Index (CPI).⁹ In addition, the initiative required that, in subsequent years, if the minimum wage, as adjusted for inflation, was *less than* one dollar over the federal minimum wage, the Alaska minimum wage would be set at one dollar *over* the federal amount. Backers filed the petition with the Lieutenant Governor's Office on November 29, 2001, and the petition was certified on January 3, 2002 for placement on the 2002 general election ballot.¹⁰

⁷ Sections 3 & 4, Chapter 12, SLA 1990.

⁸ We include a copy of this bill as Attachment A.

⁹ "Petition ID: 01MNWG, Bill Increasing Alaska's Minimum Hourly Wage," Alaska Division of Elections, <http://ltgov.state.ak.us/elections/petitions/status.php#01mnwg>. We include a copy as Attachment B.

¹⁰ "01MNWG," Petition Status Report, Alaska Division of Elections, <http://www.ltgov.state.ak.us/elections/petitions/status.php>. We also include a copy of this document as Attachment B.

During the legislative session in 2002, however, Alaska lawmakers passed CSHB 56(FIN), which was “substantially similar” to the petition, so the Lieutenant Governor declared the initiative void and it did not appear on the ballot. The backers of the petition did not challenge the Lieutenant Governor’s decision.

The first version of HB 56, however, was substantially different than the petition. HB 65 introduced on January 12, 2001, called for a minimum wage of \$6.40 an hour for 2002, and \$6.90 for 2003. The bill ended the requirement that the minimum wage be 50 cents per hour greater than the federal minimum wage at the end of 2001, and did not include the inflation proofing required by the petition.¹¹

The second version of the bill, amended by the House Labor and Commerce Committee, was similar to the petition, except that the inflation adjustment would be only 50 percent of the Anchorage CPI. The House Finance Committee then submitted its own version of the bill, which was essentially the same as the initiative, including a minimum wage of \$7.15 per hour and the requirement for adjusting the minimum wage for inflation each year based on 100 percent of the Anchorage CPI. In addition, the Finance Committee version included the requirement that the minimum wage each year should be set at either the adjusted minimum wage or \$1.00 over the federal minimum wage, whichever was greater. This version, CSHB 56(FIN), passed the House on March 1, 2002, by a vote of 33-6, with one excused.

CSHB 56(FIN) passed the Senate on reconsideration by a vote of 19-1 on May 16, 2002, after a failed attempt to amend the bill on the floor. The governor signed the bill into law on August 14, 2002.

The following year, the Rules Committee introduced HB199 at the request of then-Governor Murkowski. This bill removed the inflation-proofing requirement for the minimum wage, with an effective date of September 30, 2003. The bill also deleted the statutory language stipulating that the Alaska minimum wage be at least \$1.00 more than the federal minimum wage. The amount of the minimum wage remained at \$7.15 per hour. The bill passed both houses—in the House by a vote of 24-12, with two excused, and in the Senate by a vote of 12-8. The governor signed the bill on August 20, 2003.

THE MINIMUM WAGE IN OTHER STATES

According to the U. S. Department of Labor, currently five states do not have a state minimum wage, including Alabama, Louisiana, Mississippi, South Carolina, and Tennessee.¹² Voters raised the minimum wage in seven states during the 2006 elections, including Arizona, California,

¹¹ As a point of interest, during 2001 several other bills were also introduced that addressed the minimum wage. For example, by request of the governor, the House Rules Committee introduced HB 75, which raised the minimum wage and provided for inflation-proofing. The same year, Senator Bettye Davis introduced SB 132 and SB 224. SB 132 raised the minimum wage to \$6.90 per hour, and SB 224 raised the amount to \$1.00 over the federal minimum wage. These bills were referred to the respective Labor and Commerce Committees, where they remained.

¹² “Minimum Wage Laws in the States—January 1, 2007,” Wage and Hour Division, Employment Standards Administration, U. S. Department of Labor, <http://www.dol.gov/esa/minwage/america.htm>.

Delaware, Massachusetts, North Carolina, and Pennsylvania.¹³ The following states have a higher minimum wage than Alaska:

- ◆ **California:** \$7.50, will go up to \$8.00 in 2008;
- ◆ **Connecticut:** \$7.65;
- ◆ **Hawaii:** \$7.25;
- ◆ **Illinois:** \$7.50, will go up to \$7.75 in 2008, \$8.00 in 2009, and \$8.25 in 2010;
- ◆ **Massachusetts:** \$7.50;
- ◆ **Michigan:** Currently \$7.15, but will go up to \$7.40 in 2008;
- ◆ **Oregon:** \$7.80;
- ◆ **Rhode Island:** \$7.40;
- ◆ **Vermont:** \$7.53;
- ◆ **Washington:** \$7.93;
- ◆ **West Virginia:** Currently \$6.55, but will go up to \$7.25 in 2008.¹⁴

As you can see from this list, our sister Pacific states—California, Hawaii, Oregon, and Washington—already have a higher state minimum wage than Alaska. Of all the states, Kansas has the lowest minimum wage at \$2.65 per hour.

I hope you find this information to be useful. Please do not hesitate to contact us if you have questions or need additional information.

¹³ “New State Laws Raise the Minimum Wage,” *BREITBART.COM*, December 29, 2006, <http://www.breitbart.com/news/2006/12/29/D8MAMK700.html>. Prior to this year, Arizona did not have a state minimum wage.

¹⁴ “Minimum Wage Laws in the States—January 1, 2007.”

110TH CONGRESS
1ST SESSION

H. R. 2

AN ACT

To amend the Fair Labor Standards Act of 1938 to provide
for an increase in the Federal minimum wage.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Fair Minimum Wage
3 Act of 2007”.

4 **SEC. 2. MINIMUM WAGE.**

5 (a) IN GENERAL.—Section 6(a)(1) of the Fair Labor
6 Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended
7 to read as follows:

8 “(1) except as otherwise provided in this sec-
9 tion, not less than—

10 “(A) \$5.85 an hour, beginning on the 60th
11 day after the date of enactment of the Fair
12 Minimum Wage Act of 2007;

13 “(B) \$6.55 an hour, beginning 12 months
14 after that 60th day; and

15 “(C) \$7.25 an hour, beginning 24 months
16 after that 60th day;”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 subsection (a) shall take effect 60 days after the date of
19 enactment of this Act.

20 **SEC. 3. APPLICABILITY OF MINIMUM WAGE TO THE COM-**
21 **MONWEALTH OF THE NORTHERN MARIANA**
22 **ISLANDS.**

23 (a) IN GENERAL.—Section 6 of the Fair Labor
24 Standards Act of 1938 (29 U.S.C. 206) shall apply to the
25 Commonwealth of the Northern Mariana Islands.

1 (b) TRANSITION.—Notwithstanding subsection (a),
2 the minimum wage applicable to the Commonwealth of the
3 Northern Mariana Islands under section 6(a)(1) of the
4 Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1))
5 shall be—

6 (1) \$3.55 an hour, beginning on the 60th day
7 after the date of enactment of this Act; and

8 (2) increased by \$0.50 an hour (or such lesser
9 amount as may be necessary to equal the minimum
10 wage under section 6(a)(1) of such Act), beginning
11 6 months after the date of enactment of this Act
12 and every 6 months thereafter until the minimum
13 wage applicable to the Commonwealth of the North-
14 ern Mariana Islands under this subsection is equal
15 to the minimum wage set forth in such section.

Passed the House of Representatives January 10,
2007.

Attest:

Clerk.

110TH CONGRESS
1ST Session

H. R. 2

AN ACT

To amend the Fair Labor Standards Act of 1938
to provide for an increase in the Federal minimum wage.



Alaska Division of Elections

INITIATIVE PETITION BILL LANGUAGE by Petition Sponsors

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

Posted 10/24/01

Proposed Bill:

BE IT ENACTED BY THE PEOPLE OF THE STATE OF ALASKA

Section 1. Findings and Declaration

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

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

Section 2. Purpose

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

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

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

30, for the proceeding January-December calendar year, by the Alaska Department of Labor, using the CPI-Anchorage. Such adjustment shall take effect January 1 of the following year.

Section 4. If the minimum wage determined under Section 3 is less than one dollar over the federal minimum wage, the Alaska minimum wage shall be set at one dollar over the federal minimum wage. This amount shall be adjusted in subsequent years by the method established in Section 3.



Initiative Petition Status Report



Alaska Division of Elections Home Page

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

01MNWG

AG's File Number: 663.01.0147

Primary Sponsors: Jim Sampson, Mano Frey, and Bruce Ludwig

The petition application was received in the Lieutenant Governor's Office on February 15, 2001. A copy of the application and signatures were sent to the Department of Law and Division of Elections on February 16, 2001 for review and verification of signatures. The Division of Elections determined that there were a sufficient number of signatures on February 27, 2001. Legal review was received from the Department of Law on March 9, 2001. The application was certified on March 12, 2001. Petition booklets were distributed to the initiative committee on April 5, 2001. The initiative petition was filed on November 29, 2001. The Division of Elections verified the signatures of 30,475 qualified voters. The petition was determined to be properly filed and was certified on January 3, 2002 for placement on the 2002 general election ballot. On May 24, 2002, Lieutenant Governor Ulmer determined, in concurrence with the Attorney General's Office, that the Alaska Legislature passed a law, CS HB 56(FIN), which is substantially similar in nature to the initiative. Consequently, the initiative petition is void and will not appear on the ballot (AS 15.45.210).

Under Alaska Statute 15.45.240, within 30 days of the date on which notice of this determination of similarity was given, any person "aggrieved by a determination made by the Lieutenant Governor" may bring action in the superior court to have the determination reviewed. The deadline for action is June 24, 2002. The deadline has passed for challenge of the Lieutenant Governor's earlier actions on this initiative.

Following is the petition booklets' summary language and proposed ballot language:

Bill Increasing Alaska's Minimum Hourly Wage

This bill would raise Alaska's minimum wage to \$7.15 per hour. This increase would start January 1, 2003. Each year after that, the minimum wage would be adjusted by the State. The annual change would be based on inflation using the Consumer Price Index for Anchorage. If after the annual adjustment for inflation the minimum wage is less than one dollar over the federal minimum wage, Alaska's wage would be set at one dollar over the federal wage.