

**MINUTES OF THE  
SENATE COMMITTEE ON COMMERCE, LABOR AND ENERGY**

**Seventy-ninth Session  
February 20, 2017**

The Senate Committee on Commerce, Labor and Energy was called to order by Chair Kelvin Atkinson at 8:30 a.m. on Monday, February 20, 2017, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

**COMMITTEE MEMBERS PRESENT:**

Senator Kelvin Atkinson, Chair  
Senator Pat Spearman, Vice Chair  
Senator Yvanna D. Cancela  
Senator Nicole J. Cannizzaro  
Senator Joseph P. Hardy  
Senator James A. Settelmeyer  
Senator Heidi S. Gansert

**GUEST LEGISLATORS PRESENT:**

Senator Aaron D. Ford, Senatorial District No. 11

**STAFF MEMBERS PRESENT:**

Marji Paslov Thomas, Policy Analyst  
Bryan Fernley, Counsel  
Daniel Putney, Committee Secretary  
Lynn Hendricks, Committee Secretary

**OTHERS PRESENT:**

Jackson Brainerd, National Conference of State Legislatures  
Rachel West, Associate Director, Poverty to Prosperity Program, Center for  
American Progress  
Susan Chandler, Associate Professor Emeritus, University of Nevada, Reno

Senate Committee on Commerce, Labor and Energy  
February 20, 2017  
Page 2

Todd Sorensen  
Cherie Mancini, Service Employees International Union  
Melissa Boesen, Washoe Education Support Professionals, Nevada State  
Education Association  
Jim Sullivan, Culinary Workers Union Local 226  
Rusty McAllister, AFL-CIO  
Kathleen Bienenstein, Lambda Business Association  
Rob Schlegel, Lambda Business Association  
George Allen  
Diana Diaz  
Randi Thompson, Nevada State Director, National Federation of Independent  
Business  
Jim Wadhams, Las Vegas Metro Chamber of Commerce  
Tray Abney, The Chamber  
Victoria Seaman, Real Chamber of Commerce  
Robert Buckel, Henderson Chamber of Commerce  
Warren B. Hardy, Nevada Restaurant Association  
Leah Tauchen, Retail Association of Nevada  
Bonnie McDaniel  
Gino Ferraro  
Lisa Foster, State of Nevada Association of Providers  
Ray Bacon, Nevada Manufacturers Association  
James Katzen

CHAIR ATKINSON:

I will open the hearing on Senate Bill (S.B.) 106.

**SENATE BILL 106**: Requires certain increases in the minimum wage paid to employees in private employment in this State. (BDR 53-865)

SENATOR YVANNA D. CANCELA (Senatorial District No. 10):

I am here to present S.B. 106, which increases the minimum wage paid to employees in private employment in Nevada. More people than ever are working in jobs that pay too little and offer too few benefits. We believe, and expert testimony will bear this out, that an increase in the minimum wage will stimulate our economy and allow hard-working families to improve their lives. As a State, Nevada has not made any significant changes to its minimum wage rate for nearly a decade. In 2006, voters approved a minimum wage

amendment in the *Constitution of the State of Nevada* that requires the wage rate be recalculated based on increases in the federal minimum wage and the cost of living. Currently, the minimum wage in Nevada is \$8.25 an hour, or \$7.25 an hour if the employer offers qualified health benefits. A single parent with two children working a minimum-wage job does not meet the federal government's measure of the poverty line, which is \$20,160 a year. How can someone who makes \$17,160 annually hope to escape poverty?

An increase in the minimum wage will help the recovery of Nevada's economy. It will stimulate consumer demand and help drive economic growth for the people who need it most in Nevada: hard-working families. Increasing the minimum wage will not make anyone wealthy. However, gradually increasing the minimum wage will put hundreds of millions of dollars into the pockets of Nevadans, who will then spend money on basic necessities. That is hundreds of millions of dollars going back into the economy in the form of goods and services consumed.

Raising wages will help more people get off public benefits. This will save taxpayers money in the long term. Raising the minimum wage to \$10.10 an hour could save \$22 million annually in Supplemental Nutrition Assistance Program spending in Nevada.

We have made significant gains since the recession, and our employment rate is improving. However, new job growth remains disproportionately concentrated in lower wage industries such as retail and food services. This makes increasing the minimum wage an urgent priority this Legislative Session. In 2015, the U.S. Bureau of Labor Statistics reported that there were roughly 1.2 million workers in Nevada. Of that total, 794,000 were paid hourly rates. Of those, 20,000 were at or below minimum wage, representing about 1.6 percent of the total workforce. Approximately 9,000 workers earn the federal minimum wage of \$7.25 an hour, and 10,000 workers earn less than that. This is unacceptable.

Historically, minimum wage jobs offer entry-level workers a chance to prove themselves before being promoted or moving on to other, better-paid jobs. However, the demographics of low-wage workers have changed. Low-wage workers are not always teenagers working part-time jobs for spending money. A study by the Economic Policy Institute confirms the average age of low-wage workers is 35 years. More than half of all affected workers are at least 30, and

more than a third are at least 40. The Economic Policy Institute ranks Nevada 32nd among the 50 states and the District of Columbia based on the concentration of workers earning under \$12 an hour. In Nevada, 33.3 percent of all workers earn less than \$12 an hour.

Recently, I read an article about Franklin D. Roosevelt's Fair Labor Standards Act of 1938, passed as part of the New Deal legislation. It set the minimum wage at 25 cents an hour. President Roosevelt was quoted as saying that this rate was to be more than a bare subsistence level. He also said, "No business which depends for existence on paying less than living wages to its workers has any right to continue in this country." Over 70 years later, this sentiment still holds true. Too many of Nevada's working families rely on low-wage work to make ends meet. Low-wage working families reside throughout Nevada, from smaller rural communities to our major metropolitan areas in Las Vegas and Reno. There are hard-working families in every corner of the State who do not make enough to support themselves on their own.

This bill is an important step forward that will boost low-wage workers and put more money directly into Nevada's economy. I urge your support of this critical legislation.

SENATOR AARON D. FORD (Senatorial District No. 11):

I would like to discuss and highlight key provisions from S.B. 106, offer an amendment and discuss another amendment we are contemplating.

Senate Bill 106 requires that the Labor Commissioner must, through regulation, ensure the minimum wage for employees in private employment be increased by 75 cents an hour each year for 5 years or until the minimum wage is \$12 an hour or more if the employer does not offer health insurance and \$11 an hour if the employer does offer health insurance.

We are proposing one amendment and contemplating a second. The first amendment would change the effective date. We have had conversations with some of the individuals who are interested in this bill, including businesses, and we are more than amenable to changing the effective date from "upon passage and approval" to January 1, 2018. This gives businesses operating on an annual budget sufficient time to plan for any necessary wage increases.

The second amendment we are contemplating would take language regarding remedies and damages from Article 15, section 16 of the Nevada Constitution and place it in the *Nevada Revised Statutes*. The goal is to ensure those provisions match so that any violation of the legislation created is treated the same as a violation of the minimum wage provisions in our Constitution.

I want to make a few points about why I believe S.B. 106 is a critically important piece of legislation. Oxfam International estimates there are 360,000 men and women in Nevada who earn under \$12 an hour. Nevadans deserve an economy in which a hard day's work earns a decent day's pay. Many people, including many business owners, believe this as well. In a 2015 survey by Small Business Majority, it was found that three out of five small business owners with employees supported gradual increases in the minimum wage to \$12 and adjusting the minimum wage annually to keep pace with the cost of living. This survey reported many small business owners agreed that an increase—

... would immediately put more money in the pocket of low-wage workers who will then spend the money on things like housing, food, and gas. This boost in demand for goods and services will help stimulate the economy and help create opportunities.

In addition, paying a higher wage to employees can help employers cut costs in other ways. According to the Center on Budget and Policy Priorities, beyond simple supply-and-demand theory, increasing the minimum wage may also spur businesses to operate more efficiently and employees to work harder.

I would like to highlight the fact that we have endeavored to have conversations with businesses and others who will be affected by S.B. 106. We believe increasing the minimum wage gradually over the course of five years is a fair balance between allowing businesses to continue to grow and allowing employees to earn a living wage.

SENATOR SETTELMAYER:

Why were State employees not included in this bill? It only applies to employees of private employers.

SENATOR FORD:

I am happy to entertain an amendment along those lines.

JACKSON BRAINERD (National Conference of State Legislatures):

I am a fiscal and labor policy analyst with the National Conference of State Legislatures (NCSL). The NCSL is a bipartisan organization that serves the legislatures and staffs of the states and territories. I have a presentation titled, "State Minimum Wage Trends" ([Exhibit C](#)).

Minimum wage debates have been picking up steam across the country. In the chart on page 2 of [Exhibit C](#), you can see that 2014 and 2016 were particularly busy years. In the last 4 years, there have been 30 enacted increases via legislation or ballot measure compared to 3 increases in the prior 4 years. Nineteen states began the new year with a higher minimum wage because of recently approved measures or annual indexed increases.

It is hard to say what 2017 holds, but 32 states and Puerto Rico have proposed legislation to raise their minimum wage so far. Those states are shown on page 3 of [Exhibit C](#). Of the states that have not proposed such legislation this year, about half of them raised their minimum wage recently. Most of the proposals involve increases to one of three levels: \$10, \$12 to \$13, or \$15.

Part of the reason for the growing attention to this topic is likely related, to some degree, to inaction at the federal level. The chart on page 4 of [Exhibit C](#) is from the Pew Research Center and shows how the buying power of the federal minimum wage has eroded over time. The federal minimum wage of \$7.25 has not been increased since 2009. By 2016, it had lost 9.6 percent of its purchasing power. Twenty-nine states and the District of Columbia have minimum wages higher than the federal government.

Page 5 of [Exhibit C](#) shows a map of state minimum wages nationally. Six states and the District of Columbia now have minimum wages above \$10. About half the states are between \$7.50 and \$10, with an even distribution above and below the \$8.75 mark. Currently, the District of Columbia's minimum wage is the highest at \$11.50. The rest of the states are at the federal rate of \$7.25.

Nevada's minimum wage is unique in a few respects. It is the only State to set out a lower rate for employers that offer health benefits, and it is one of six states that requires tipped employees to receive the full State minimum wage before tips. The rate is comfortably average. Twenty-three states, the District of Columbia and the Virgin Islands have higher minimum wages than Nevada, so it is right in the middle nationally. The chart on page 5 of [Exhibit C](#)

shows the minimum wage of the five states that neighbor Nevada for comparison. Idaho and Utah have a minimum wage of \$7.25, Oregon is \$9.75, Arizona is \$10 and California is \$10.50. This discrepancy is set to grow as all of those states will be phasing in additional increases over the next few years. This is true for a few other states as well.

Page 6 of [Exhibit C](#) shows scheduled increases for states that are moving to \$12 or above and how they plan to get there. California, New York and the District of Columbia are on their way to \$15 over several years. Washington and Oregon are going to \$13.50. Arizona, Colorado and Maine are going to \$12. This ladder to the ultimate minimum wage rate is meant to ease the transition for businesses and allow time to gauge the impact on the economy, as these increases are fairly substantial. For example, in California the final rate of \$15 will represent a 50 percent overall increase. For Nevada to go to \$12 over 5 years will be a 45 percent increase. This is not unprecedented, however. Over the 5-year period from 2006 to 2011, Nevada's minimum wage rose from \$5.15 to \$8.25, a 60 percent increase.

Some states are also attempting to ease the burden of higher labor costs for employers by adjusting minimum wage rates or delaying the schedule of increases based on geography or business size to make it easier for smaller employers and employers in lower cost-of-living areas to adjust. For example, New York considered both of these issues in its 2016 minimum wage law, as can be seen on page 7 of [Exhibit C](#). Assuming no dramatic increases in inflation rates, most of New York will not reach a \$15 minimum wage until after 2022, but employers with more than 11 employees in New York City will get there at the end of 2018. Smaller employers in New York City will reach \$15 at the end of 2019, and New York downstate counties will get there at the end of 2021. Oregon's increase last year was also adjusted by geographic region. California delayed its minimum wage increases to \$15 by 1 year for employers with fewer than 26 employees. Minnesota and Ohio also have different minimum wages based on business size.

States have included a number of other provisions meant to strengthen the spirit of the law or ease the impact on businesses. Recent measures have included provisions to adjust the minimum wage for inflation after the increase has been phased in so that it can keep pace with cost of living. In 2004, only three states indexed their minimum wage. Today, 18 states, including Nevada, do this.

Treatment of younger workers and people with disabilities in minimum wage laws is something states continue to grapple with. Over the last two years, New Hampshire and Maryland enacted measures to remove subminimum wages for people with disabilities. Oregon has a bill pending to do similarly. Federal law allows workers under 20 to be paid at a rate of \$4.25 an hour for a period of 90 days. Nineteen states allow training wages at this level, but a number require that minors be paid at the full rate.

The minimum wage ballot measures recently passed by Arizona and Washington state also contained provisions requiring employers to provide paid sick leave. New Jersey has a dual minimum wage/paid sick leave bill pending at the moment.

CHAIR ATKINSON:

Regarding page 6 of [Exhibit C](#), are these recent changes?

MR. BRAINERD:

These measures were all enacted last year.

SENATOR SETTELMAYER:

Is NCSL advocating for the raising of the minimum wage?

MR. BRAINERD:

No. We are a nonpartisan organization and are not taking a position on this. We are just here to provide information.

SENATOR HARDY:

Do you have a graph showing how other wages go up when the minimum wage goes up and what the cost to business might be?

MR. BRAINERD:

We have not done research regarding the effect on businesses in that regard. I would be happy to look into other studies that have done that research and pass the information along to you.

SENATOR GANSERT:

Have you been able to track unemployment rates as minimum wage rises across different states?



MR. BRAINERD:

We have not tracked that trend, but I can provide you with studies that have. There is no surface-level clear relationship between unemployment rates and minimum wage. California and Nevada have different minimum wage rates but similar unemployment rates. The same goes for Massachusetts, which has a minimum wage of \$11, and New Hampshire, which has a minimum wage of \$7.25, with both states having the same unemployment rate. There are studies that have gone more into depth on that subject, which I would be happy to provide.

RACHEL WEST (Associate Director, Poverty to Prosperity Program, Center for American Progress):

I have written testimony ([Exhibit D](#)) covering four key factors relevant to S.B. 106: what it takes to make ends meet in Nevada today, who would be affected by the bill, how the value of the minimum wage compares to historical experience, and what research tells us about the economic effects of raising the minimum wage. Workers in Nevada are long overdue for a raise, and they are falling behind each year.

SENATOR SPEARMAN:

Page 2 of [Exhibit D](#) indicates that an increase in the minimum wage would disproportionately affect minority families in a positive way. Would it be fair to say that not increasing the minimum wage would disproportionately affect minority families in a negative way?

MS. WEST:

Absolutely. A disproportionate number of workers of color make under \$12 an hour, and every year they are falling behind when lawmakers fail to act. Not increasing the minimum wage actively deepens the racial divides and wage gaps by race and gender.

SENATOR SPEARMAN:

[Exhibit D](#) includes many statistics regarding Medicaid. Do you have any research about health and infant mortality associated with increases in minimum wage?

MS. WEST:

There is research on those lines out there, yes. There are statistically robust results that higher minimum wages reduce infant mortality and increase child health. I will pass along those studies.

SENATOR SPEARMAN:

I would like to quote from the abstract of an independent study by George Wehby, et al, titled, "Effects of the Minimum Wage on Infant Health." The abstract from this paper states:

The minimum wage has increased in multiple states over the past three decades. Research has focused on effects of labor supply, but very little is known about how the minimum wage affects health, including children's health. ... Using data on the entire universe of births in the US over 25 years, we find that an increase in the minimum wage is associated with an increase in birth weight driven by increased gestational length and fetal growth rate. The effect size is meaningful and plausible. We also find evidence of an increase in prenatal care use and a decline in smoking during pregnancy, which are some channels through which minimum wage can affect infant health.

We often get caught up in numbers, but what we are talking about here is the health of children. As Nevadans, we ascribe to family values. Raising the minimum wage perpetuates a positive stance on family values.

SENATOR SETTELMAYER:

Could you send us information about the rise in fast food prices? I do not find the data you quoted in [Exhibit D](#) to be correct. On the Website <<http://www.fastfoodmenuprices.com>>, it shows that before the federal minimum wage was raised, a 10-piece Chicken McNugget meal was \$4.49, and after, it went to \$6.20. A medium hand-tossed cheese pizza went from \$11.95 to \$16.65. Please send us the study you cited in which food prices went down. I would hate to see a situation in which we increase minimum wages only to see the cost of goods and services eat up that differential.

MS. WEST:

I would be happy to send you the studies I quoted from. I would caution that one advantage of econometric studies rather than anecdotal evidence is that they have larger sample sizes. This means they can identify average effects rather than a single sample from one restaurant. Studies in California, for example, look at all restaurants in local areas that change minimum wage and compare them to neighboring local areas that do not change minimum wage. These studies generally find very modest price increases. Based on polling

information, Nevada voters feel that increasing living standards for the lowest income families is worth a couple more cents on the price of a hamburger.

SENATOR SETTELMAYER:

When you talk about the reduced amount of funds needed by State programs, was that based on a 40-hour work week, or the reality that workers are only getting a 27-hour work week due to the Affordable Care Act (ACA)? Minimum wage workers are only averaging a 27-hour work week because if they worked 30 hours a week they would have to have health care.

Ms. WEST:

Our study was intentionally blind to the number of hours individuals worked in a week because we did not want to make assumptions of how labor hours change. Nonetheless, it holds across the board that when minimum wages increase, Medicaid spending goes down. There is other research literature stating that on average, employers are not making a large movement to decrease workers' hours below 30 hours a week due to the ACA.

SENATOR SETTELMAYER:

The information comes from the Nevada Department of Labor as far as the number of hours worked by individuals in minimum wage jobs.

Ms. WEST:

Generally, it is bimodal, with many people working a full-time 30- to 40-hour work week and a minority working part-time.

SENATOR GANSERT:

I have been trying to figure out what the actual market wage rates are in Nevada right now. Our unemployment is a little above 5 percent. Fast food companies are actually paying above minimum wage now, which means the market rate is higher because our unemployment rate is so low. Who is actually being paid minimum wage in Nevada right now, as opposed to 2013 when the unemployment rate was higher?

Ms. WEST:

As the unemployment rate drops, wages are pushed up even for workers at the low end, though we see that much less in states with a low minimum wage. For S.B. 106, it is more instructive to look not just at people making \$8.25 an hour but also at people making around \$12 an hour who will see wage increases.

That is about 1 Nevada worker in 4, with 1 in 20 earning above \$12 an hour. Those are the people we expect will see raises under S.B. 106.

SENATOR GANSERT:

Do you have any data on what the market wages are now for some of the industries?

Ms. WEST:

I do not have that information with me, but I can get it from the Bureau of Labor Statistics.

SENATOR HARDY:

I have several questions. First, when someone gets paid more, Medicaid goes down. Does the person who is getting paid more have to pay more for health insurance? Second, Nevada is not California, and the cost of living is higher in California than in Nevada. Has that difference in the cost of living been indexed to the difference in minimum wage? Third, is there a rationale to leapfrog over the minimum wage of the other western states?

Ms. WEST:

Starting with your last question, S.B. 106 would not leapfrog Nevada's minimum wage. The phase-in is relatively gradual and not out of step with historical standards. Neighboring states already have higher minimum wage rates and are going much higher. Nevada's minimum wage will end up at around \$10.69 an hour when adjusted for inflation. Could you repeat the second question?

SENATOR HARDY:

When we increase the minimum wage, that would theoretically increase the cost of living. Have we indexed the increased minimum wage to the increase in the cost of living?

Ms. WEST:

I do not believe the cost of living will increase substantially under this bill, keeping in mind that these are the lowest paid workers in the economy. It is also the case that there will be stimulus effects to the overall local economy. I would not expect to see price levels skyrocket, but we would see greater economic activity. I am not certain that the cost of living question, while an

interesting one, is one that the literature has considered in large part because it does not tend to be an issue.

SENATOR HARDY:

So we have not indexed it, as far as you are aware?

MS. WEST:

No.

SENATOR HARDY:

Finally, when we increase minimum wage, some workers will lose their eligibility for Medicaid. Therefore, Medicaid spending would go down. The cost of health insurance to those workers will then go up. Have we looked at that?

MS. WEST:

Fortunately, Nevada is one of the states that expanded Medicaid under the ACA. Therefore, there is a seamless transition from primarily state-financed Medicaid to Medicaid expansion, and then to the exchanges or subsidized care. In general, it is a somewhat smooth payment schedule on the part of individuals. However, for Nevada, it makes a big difference because the federal government pays almost all the cost of care for people in the Medicaid expansion income range. That is where many of those who would be getting a raise would fall. It will end up saving the State money while not disadvantaging workers more than they receive from the increase in wages.

SENATOR HARDY:

Do you have some kind of graph showing that?

MS. WEST:

Yes, I can send you that.

SENATOR SPEARMAN:

I would like to respectfully ask my colleague Senator Settelmeyer for a link to the study he quoted regarding the price of fast food. I would also like to refer to an independent study, since that is the best way to frame the argument. One independent study by Zsófia L. Bárány is titled, "The Minimum Wage and Inequality: The Effects of Education and Technology." The abstract for this study states, "In the past 30 years, wage inequality has increased steeply while real minimum wages have fallen." We talk about the new Nevada and

diversifying our economy, but this study shows that one of the ways we do that is to look at real increases in the minimum wage because it has an effect on our overall economy. It is good to talk about the price of pizza and hamburgers, but what we are really talking about is diversifying the economy from a technological standpoint.

CHAIR ATKINSON:

Companies raise their prices even when we are not doing well. We have recently experienced 70-odd months of job growth, yet we have not raised the minimum wage in Nevada since 2010. The price of hamburgers and pizzas will rise whether we do anything about this or not. The folks who earn the lowest wages are not keeping up because prices are going up and they are staying at the bottom.

SENATOR CANNIZZARO:

Ms. West, [Exhibit D](#) quotes some interesting statistics about who predominantly makes up the category of low-wage workers in Nevada. Can you describe that constituency again? Are we talking about teenagers or women with children?

MS. WEST:

There is a common myth that today's low-wage workers are mostly teenagers. That was true many decades ago when the wage distribution was more compressed, but it is no longer the case. With the rise of inequality, we have a polarized labor market. There are many people who are working minimum wage jobs despite having college educations and being out of their teens. In fact, 70 percent of those in minimum wage jobs are over 25 years old, 60 percent are the primary breadwinners for their households and 33 percent are raising children. That last statistic is the most important one when we look at this issue from a long-term perspective.

The effect of higher income on low-income children during childhood is important and well researched. With three out of ten workers in Nevada raising children while earning \$12 an hour or less, we are disadvantaging the next generation because a third of them are growing up in poverty. Conversely, [S.B. 106](#), which would raise wages for those families, would have a meaningful impact on those children and their families.

SENATOR CANNIZZARO:

Have you seen similar statistics in terms of who makes up the lower wage workers in other states? What effect does that have on the families, particularly women who are raising children?

MS. WEST:

Throughout the United States, women are the dominant majority in low-wage jobs, even though they represent a minority of the entire workforce. Women are also disproportionately likely to be providing for children and raising children on their own. Where wages have increased, we see much lower poverty rates among families with children, particularly in families headed by single parents.

SENATOR CANNIZZARO:

In the states that have raised the minimum wage, have you seen any effect on those types of households?

MS. WEST:

There is econometric research out there by Associate Professor Arindrajit Dube at the University of Massachusetts Amherst that looks specifically at family incomes. He finds the largest effects on family incomes to be for those at 50 percent of the poverty level and below. On poverty rates, he finds that a 10 percent increase in the minimum wage reduces poverty immediately by 2.4 percent and in the long run by 3.6 percent. Women and female heads of families are disproportionately likely to be living in poverty. This research speaks to the fact that minimum wage increases would disproportionately and positively affect them by reducing poverty.

SENATOR SETTELMAYER:

I support the concept of raising the minimum wage, though I have had a different way of going about it in the past. That being said, you had some numbers on the number of individuals who are currently earning minimum wage in Nevada and how many this bill would bring up out of the poverty level. Was that number adjusted for all the exemptions we currently have in Nevada law for people who do not have to pay the minimum wage, such as people who are covered by collective bargaining and agricultural employees? Does that number adequately reflect true information?

MS. WEST:

The number I quoted, 362,000 people, are those Nevadans earning \$12 an hour or less today. That does not include those who are exempted. It is meant to be a guiding number rather than an exact calculation of who would be affected by S.B. 106.

SENATOR SPEARMAN:

I would like to introduce one more academic study. In the paper titled "Hours, Scheduling and Flexibility for Women in the US Low-Wage Labour Force" by Anna Jacobs, et al, the abstract states: "We conclude that social change efforts need to encompass work policies geared to low-wage workers, such as guaranteed minimum hours and increases in the minimum wage."

CHAIR ATKINSON:

Senator Settelmeyer, since you support the basic concept of this bill, I would be happy to talk about any amendments you would like to offer.

SUSAN CHANDLER (Associate Professor Emeritus, University of Nevada, Reno):

I have been studying Nevada workers for the past 20 years and am the author of *Casino Women: Courage in Unexpected Places* and a living wage study for Nevada titled, "Working Hard, Living Poor: Social Work and the Movement for Livable Wages," along with numerous articles about wages and work.

The principal reason I support an increase in the minimum wage is a moral one. If people work hard at full-time jobs, they should be able to support themselves and their families. They should not have to get a second or third job, as so many Nevada workers must. That is a reality for a surprisingly large number of Nevada workers, and you can imagine the impact that has on issues of health, raising children and so forth.

Over and above that moral reason, there are strong economic reasons why a minimum wage of \$12 or \$15 makes sense. Those have been well addressed by the previous speakers, so I will not repeat them, but let me provide a Nevada context. Consider the 60,000 union casino workers on the Las Vegas Strip, where wages start at \$15 or \$16 an hour and the benefits package is strong. These housekeepers and cooks are critical to Nevada's economy. Highly skilled, reliable and long-term workers clean tens of thousands of hotel rooms every night. They spend their wages locally, and Las Vegas businesses rely on their patronage. They do not need welfare services. They pay for their own medical



care. They are taxpayers. These are the working people so essential to a strong economy.

This leads to a second point. Low wages are not the great bargain they appear to be. They are accompanied by significant hidden costs, like the taxes necessary to pay for public social services and medical care that impoverished workers must rely on. So who does benefit from keeping the minimum wage low? Not working Nevadans. Ballot measures to increase Nevada's minimum wage passed in 2004 by 68 percent and in 2006 by 69 percent. It is no wonder that these are popular measures when you consider that the income of 99 percent of Nevadans declined by 11 percent over the last 30 years. In that same time, the income of the remaining 1 percent of Nevadans has increased 164 percent. It is there, in the billionaire class, that we find massive resistance to increases in the minimum wage. The organization Americans for Prosperity (AFP) is opposed to S.B. 106. As you know, AFP is the political organ of the Koch brothers. Charles Koch and David Koch are numbers six and seven in the list of the eight individuals whose wealth equals that of half of humanity. The Koch brothers do not just dislike an increase in the minimum wage; they do not like the idea of having a minimum wage at all. This is about the yawning gap between rich and poor that so threatens our people and our economy.

Finally, why \$12 or \$15 an hour? I have a handout ([Exhibit E](#)) containing calculations of how much money it takes for families to survive in Clark, Douglas, Washoe and Elko Counties. The wage in Clark County necessary to support one parent and two children is about \$29 an hour. A wage of \$15 an hour may sound like a lot, but as anyone who pays bills knows, it is not.

I believe S.B. 106 is going to be the defining bill of this Legislative Session in terms of its impact on Nevada families. I am proud that we here in Nevada are considering it.

SENATOR CANCELA:

Could you talk about what happens when folks end up on public assistance and the benefit corporations reap from this? Public assistance subsidizes corporations that do not put their employees on health care. Can you talk about that and what it means for our economy?

MS. CHANDLER:

There have been several studies, but one of the most interesting was done by C. Jeffrey Waddoups, Ph.D., who is the Chair of the Department of Economics at the University of Nevada, Las Vegas (UNLV). He found that when employers do not provide medical insurance to workers, taxpayers end up subsidizing those businesses. It is a dramatic effect.

TODD SORENSEN (Assistant Professor, Department of Economics, University of Nevada, Reno):

I have written testimony ([Exhibit F](#)) describing the economic basis for raising the minimum wage from the perspective of a labor economist. I am not representing the University of Nevada, Reno (UNR) or the Nevada System of Higher Education today.

SENATOR HARDY:

[Exhibit F](#) says, " ... [A] 10% increase in the real minimum wage would decrease employment by less than 1%. ... [A] \$12 an hour minimum wage in 2022 would be around 65% of the median wage." What would be the effect of that 65 percent on unemployment?

MR. SORENSEN:

There are a couple of things. The nonpartisan Congressional Budget Office (CBO) report mentioned in [Exhibit F](#), by my interpretation, implies that a 10 percent increase in a real minimum wage would decrease employment by less than 1 percent. It was actually closer to 0.5 percent, but it was a little higher if you were looking at just low-wage jobs. You would then have to calculate the total real change in the minimum wage of \$12 an hour. Those figures are in the CBO report, and I would be happy to provide that.

The 65 percent I mentioned was the minimum wage's share of the median wage. I went to a U.S. Department of Labor report from 2015 that gave the median wage in Nevada as \$12.60 an hour, and then I compounded 2 percent growth on that, which is where the Fed anticipates inflation will be. I assumed no change in real median wage rate, which is how things have gone the last couple decades, and then looked at \$12 as a share of that number in 2022. That comes out to 65 percent, which is at the high end of the range in the U.S. A minimum wage of \$15 an hour would put you out of that range.

SENATOR HARDY:

So if I am doing the math correctly, that would give about a 3 percent employment effect. Is that correct?

MR. SORENSEN:

There will not be a 60 percent real increase in the minimum wage. At \$12 an hour, the real minimum wage in 2022 would be about \$10.50 to \$11 when adjusted for inflation.

SENATOR HARDY:

When you send us the CBO report, could you do that math for us?

MR. SORENSEN:

I will.

SENATOR CANNIZZARO:

I understood that part of [Exhibit F](#) a little differently. A minimum wage of \$12 an hour would equate in 2022 to 65 percent of the median wage. That is not outside of what we have historically seen in terms of minimum wage increases.

MR. SORENSEN:

That is correct. There are states in the last 30 years that have had minimum wages that high.

SENATOR CANNIZZARO:

We would not expect to see unemployment as high as 3 percent. It would be closer to 1 percent or 0.5 percent, given that it is not an overly ambitious increase in the minimum wage.

MR. SORENSEN:

Academic economists would say we are in uncharted waters. There is a study by the Initiative on Global Markets Forum, run by the University of Chicago Booth School of Business, that surveys top economists from different academic departments, different political ideologies, and asks them questions about policy. One question they asked in 2013 was whether a \$9 minimum wage would lead to some job loss. The answer to that question was split about 40-20-40: 40 percent of people agreed there would be some job loss, 20 percent were uncertain and 40 percent disagreed. Economists are all about tradeoffs; I am speaking in support of the bill, saying that you will probably lose

some jobs. The second question was whether the benefits of raising the minimum wage outweighed the costs. Would the workers who were still employed benefit enough by the increased wages to outweigh the harm to those who lost their jobs? About 62 percent of the respondents agreed with that statement, less than 25 percent were uncertain, and only 17 percent disagreed.

SENATOR CANNIZZARO:

It sounds like we are not talking about something outside of what historically happened, and that those tradeoffs would potentially be worth it.

MR. SORENSEN:

Yes. In [Exhibit F](#), I quoted Alan Krueger, former chair of the Council of Economic Advisors, as saying that raising the minimum wage to \$12 "would not have a meaningful negative effect" on employment, though raising it to \$15 creates some uncertainty. It is out of the range of the studies we have done.

CHAIR ATKINSON:

Nevada's minimum wage is currently \$8.25, while California's is \$10.50 and Arizona's is \$12. Are there any studies showing the number of people who will leave the State because neighboring states take better care of their workers?

MR. SORENSEN:

I do not know that much about the literature on people moving between states. People tend to move to places where wages are higher. Right now, Nevada's minimum wage is about 78 percent of California's minimum wage. If we go to \$12 and California goes to \$15, that is 80 percent. This would keep the relative minimum wage with California about the same.

SENATOR FORD:

I know anecdotes do not prove points until they are compounded upon anecdotes to give you a statistically significant occurrence. One anecdote I provided to the Senate on the first day of this Legislative Session was that in 1988 I was making minimum wage at Burger King so I could buy Jordan shoes. Now we have heard that was generally the case when I was a teenager. In those days, most people working for minimum wage were teenagers making money to buy special items. That is no longer the case. In 1999, when my wife Berna and I were raising our son Avery, between the two of us we had eight jobs. One of my wife's jobs was at Marshall Fields for minimum wage, and one

of my jobs was at Outback Steakhouse for less than minimum wage because they had a tip credit program. Those jobs allowed me to take care of my family, pay a mortgage and go to graduate school while I was receiving my Ph.D. and my law degree. The situation my wife and I were in represents the situation of a lot of families today who are making minimum wage. They work as many jobs as needed to provide for their families. Is it fair that in our society, where we have seen 70 months of improved economic attainment, it has not helped those who have been receiving the lowest salaries?

What S.B. 106 is looking to do is a very good compromise. It is a phased-in plan, not popping up to the maximum in one day, but over five years, so businesses can actually plan out what this is going to look like. They are going to increase their minimum wage by 75 cents a year until they get to \$12.

In 1999, when Berna and I were working those eight jobs, we did not save much. We spent every dime we made. The employees at Ford's Fast Food who are now making \$12 an hour will go over to Settelmeyer's Fish and Tackle and spend that money. There is a net increase in economic activity with a net increase in the minimum wage.

I was talking to a gentleman from the Henderson Chamber of Commerce last week who came to talk to me about raising the minimum wage. I told him I was a customer of a specific restaurant, and he said, "If your minimum wage bill goes into effect, in five years you will be paying \$1.69 more for your sandwich." I said, "In five years, I will be paying \$1.69 more just from inflation."

What more can we do to help those who are working for minimum wage right now to ensure we can get them off of the public charge so they can help us move Nevada forward? This new Nevada needs to include new wages.

CHAIR ATKINSON:

Because we must adjourn this meeting by 11:00 a.m., we will restrict each side, proponents, opponents and neutral, to 20 minutes each, with 3 minutes allotted for each speaker.

CHERIE MANCINI (Service Employees International Union):

We are in support of S.B. 106. I am here today on behalf of the lowest wage earners in Nevada. This includes our members who work in home care. While

the service they provide to our loved ones is invaluable, they do not currently earn enough to provide for their own families. Home care workers perform backbreaking labor that allows our parents, grandparents, disabled family members and veterans to retain the dignity, independence and respect they deserve. Those who provide this care should receive the same dignity and independence. For all they do, home care workers are rewarded with a mere \$9 to \$10 an hour. They receive no benefits, no sick days, no vacation days. If they could take a day off, it is unlikely they could afford an actual vacation. Almost half of all home care workers rely on public assistance, and they are often forced to sacrifice one necessity to fulfill another. In effect, taxpayers subsidize the companies that pay home care workers obscenely low wages.

I am also here on behalf of workers not represented by a union. All workers deserve to have a voice in their work place. Many of you on this Committee have passed legislation that has been instrumental to the recovery of Nevada's economy. Governor Sandoval told Nevadans last month that Nevada is back on the path to prosperity. While gains have certainly been made, the wealth gap between the rich and the poor persists, and minimum wage workers will continue to be left behind unless something is done.

Last week, at a hearing for Assembly Bill (A.B.) 175, an expert from the National Employment Law Project explained that a single Nevada worker with no children needs to earn at least \$15 an hour to make ends meet. That leaves at least 500,000 Nevadans below the wage standard necessary to adequately provide for their families.

**ASSEMBLY BILL 175**: Requires certain increases in the minimum wage paid to employees in private employment in this State. (BDR 53-866)

We support S.B. 106 as a strong step in the right direction. As a labor organization, we of course support efforts to raise the minimum wage. However, we and other allies of the working class will continue to fight for a raise to \$15 an hour and union representation for all workers in Nevada and beyond.

Governor Sandoval said we are looking to improve our workforce, to get people into technical jobs and increase their knowledge as skilled workers. Unless we raise the minimum wage, there is no way these workers can ever think about going to school to better themselves and the State.

Raising the minimum wage is for our community. It is for our friends; it is for our colleagues; it is for everyone in the State who deserves to get paid a decent wage for giving a decent day's work.

MELISSA BOESEN (Washoe Education Support Professionals; Nevada State Education Association):

The Washoe Education Support Professionals (WESP) represent bus drivers, nutrition workers, clinical aides and teachers' aides and assistants. We support S.B. 106 and would like to thank Senator Ford for bringing this bill forward.

Many of our members witness the struggling families on our school buses and in our lunch rooms on a daily basis. We believe that raising the minimum wage will help to alleviate the situation of these struggling families. Many of our members face this struggle too, working two to three jobs just to make ends meet. As a working mother of two, I would love to be more involved in their school activities. Unfortunately, I have to work. A livable wage would make it easier for workers to seek fewer jobs and give them more time to spend with their families.

JIM SULLIVAN (Culinary Workers Union Local 226):

We support S.B. 106. I would like to read a statement from our secretary treasurer, Geoconda Arguello-Kline:

The Culinary [Workers] Union supports raising the minimum wage, but it is just a start. To really change working people's lives, they need a union to secure fair wages, job security, a pension and good health benefits. When workers do well, our community benefits.

SENATOR SETTELMAYER:

I have a question for the three union representatives at the table. There is already an exemption under the Nevada Constitution that those who are collectively bargained receive the federal minimum wage and not the State minimum wage. Would your workers support giving up collective bargaining in order to raise their salaries? Would your unions be in favor of taking away that exemption in order to get the increased minimum wage proposed by this bill?

CHAIR ATKINSON:

I do not believe these representatives can answer that question without taking it to their members.

Ms. BOESEN:

What I can say is that a raise in the minimum wage would help my members who work two to three jobs. It would give me the ammunition I need when I go to the bargaining table. It would allow me to tell the district that if we do not raise wages to meet or exceed the minimum wage, we are going to lose this workforce and our retention rates will go up, and they are already high.

SENATOR CANCELA:

As I understand it, collectively bargained wages are significantly higher than the minimum wage, which is why they are exempted in the Nevada Constitution. I doubt any worker would want to give up his or her hard-fought collective bargaining wages for the minimum wage. The conversation is why more workers should have higher wages, not why workers should be forced to give up what they have fought for to have lower wages. Is that what you were asking?

SENATOR SETTELMAYER:

No. I am saying that unions have a special right to pay the federal minimum wage, and they do not have to pay the higher State minimum wage. I am asking if they are willing to give up that exemption, not give up the wages they are making.

CHAIR ATKINSON:

This seems like two different discussions to me. We kept the issue of raising the minimum wage in a bill without any other issues so we could have a robust discussion on this one idea. If you want to talk about getting rid of the exemption for unions, we should look at that idea on its own in another hearing.

RUSTY McALLISTER (AFL-CIO):

We support S.B. 106.

KATHLEEN BIENENSTEIN (Lambda Business Association):

We support this bill. I have written testimony explaining our support for an increase in the minimum wage ([Exhibit G](#)).

ROB SCHLEGEL (Lambda Business Association):

I concur with the previous speaker and with the statement made by Ms. Chandler that raising the minimum wage is a moral issue. As an



organization, we are all about morality and nondiscrimination, and we believe that paying a living wage is the right thing to do.

GEORGE ALLEN:

I am in support of S.B. 106. I am a home care worker. I address you today not as a person of any position or title, but as a citizen of humanity, as one of those who are uninsured, overworked and underpaid, working seven days a week with no vacations and no overtime. Raising the minimum wage is a human rights issue and a national security issue. Unfair wages are an act of terrorism and a threat to the freedom and prosperity of America. This fight for better pay is a fight for a better life. We will never negotiate, we will no longer tolerate and we will no longer be afraid.

The home care worker is the backbone of America. We take care of the sick. We help the disabled. We comfort the dying. We keep hope alive. The grandest idea was this unfolding in America today: a fight for fair wages, a promise that everyone deserves a chance and that no insignificant person was ever born. Citizens are called to enact this promise in our lives and in our laws. We the people are sometimes halted, sometimes delayed, but we must follow no other course. Our democratic faith is more than the creed of our country; it is the inborn hope of our humanity. The greatness in Christ comes when you are truly tested, because only if you have been in the deepest valley of despair can you ever know how magnificent it is to be on the highest mountain of faith. Real peace is not just the absence of conflict, but the presence of justice.

While the committees hide behind rhetoric and diplomacy, the cost of living rises. The minimum wage stagnates. Sometimes our differences run so deep that many in our country do not know the pain of poverty, but we can listen to those who do. May the symbol of Justice take off her blindfold and see suffering America. The public interest depends on private character, civic duty, family bonds and basic fairness, on uncounted, unhonored acts of decency that give direction to our freedom and to act in the community. Sometimes in life, we are called to great things. But as a home care worker, every day we are called to do some things with great love.

This campaign is more important than anything government does. I ask you to seek a common good before your comfort and to defend needed reforms against easy attacks. This calls for advanced citizenship, serious problems for serious people. I ask for you to be citizens, not spectators or subjects, responsible

citizens building communities of service and contributing to building a nation of character. This movement is generous, strong and decent.

DIANA DIAZ:

I am in support of S.B. 106. I have been working at McDonald's for almost three years as a cashier. I am currently making \$8.75 an hour. I am 48 years old and single. I have a bachelor's degree in criminal justice from John Jay College of Criminal Justice in New York City.

I cannot survive on the wages I make at McDonald's. I came to Las Vegas so I could have a steady job while still having a shot at working in the field in which I got my degree. I have found some jobs in security, but I have never found one that paid a living wage or that would serve as a stand-alone job. So now I am working at McDonald's.

Let us talk about that. I only make about \$1,000 a month working at McDonald's. Rent and utilities come to around \$700 a month. That leaves me \$300 a month for everything else. I work about 30 hours a week and would work more if my bosses would give me more hours, but they will not. I have had to resort to payday loans. I have no choice. That is how I pay my rent every month. I borrow \$500 and pay them \$700 every month.

I have been homeless before. I will do whatever it takes not to be homeless again. I take public transportation, but I cannot even afford that. I have to ask my friends to loan me money so I can take the bus. I get food stamps, and when they run out I go to food banks. I should not have to ask for help because I work very hard, and the company I work for makes \$5 billion in profit yearly. I help them make that profit. I am always living on the edge of being homeless again.

I ask you please to vote in favor of a living wage for all Nevadans as quickly as possible. If you are still not convinced, please apply for a job at McDonald's or any other employer who pays poverty wages. Just try it out and see if you can survive. I know people who work three or four jobs just to pay the rent, and it is killing them. You can do something about it. If you do not, hard-working Nevadans like me will continue to suffer.

CHAIR ATKINSON:

I participated in a program in which I worked the drive-through window at a McDonald's restaurant, and it was a tough job. I could not keep up.

RANDI THOMPSON (Nevada State Director, National Federation of Independent Business):

We oppose S.B. 106. I have written testimony ([Exhibit H](#)) and a handout ([Exhibit I](#)) explaining the reasons behind our opposition. You have heard from numerous economic studies with impacts ranging from huge benefits to workers to business losses and layoffs. The reality is that none of them really know what is going to happen five to six years from now if you raise the minimum wage. It has only been two years since minimum wage increases were implemented in other states. There are no long-term empirical data that can demonstrate what impact a significant wage increase will have on Nevada's economy.

Locally owned small businesses will be hurt the most by this bill. They do not have national chains behind them with the ability to negotiate lower prices or spread out wages and health care costs across thousands of employees. They may not be able to raise their prices due to competitive factors. So what do they do to remain profitable? They reduce hours, lay off workers, replace cashiers with kiosks—and yes, they close.

JIM WADHAMS (Las Vegas Metro Chamber of Commerce):

We appear in opposition to S.B. 106. However, I would be remiss if I did not acknowledge that Senator Ford has been open and transparent in his communications with us on this matter, giving us opportunities to consider this bill.

You asked about Nevada statistics. I would suggest you talk to our members who have survived this recession, especially some of our major employers who had to lay off tens of thousands of employees and are now beginning to hire those same people back. Smaller employers who managed to stay in business value their workforce and those jobs. We are going to ask our members to give you specific concrete examples of how these wage increases will affect their operations in Clark County and Statewide. This data will give the Committee some perspective as you think about this bill and how it might be modified.

It is important to look at the actual statistics of the survivors of the last recession in Nevada. An expert recently told me that for every 10 percent increase in the minimum wage, there will be 0.5 percent job loss. That sounds minimal, but out of our 1.3 million employee workforce, that is 6,000 jobs. We think those jobs are important. I ask that we have the opportunity to work with your staff and bring you Nevada statistics and Nevada employers' experience as to how it may affect those jobs.

CHAIR ATKINSON:

I am happy to work with you, but you make it sound like those employers were only able to stay afloat by paying poverty wages.

MR. WADHAMS:

That was not my intent.

TRAY ABNEY (The Chamber):

We oppose S.B. 106. I want to thank Chair Atkinson and Senator Ford for reaching out to us to talk about this bill before it was heard today. We appreciate too the consideration of the amendment to change the effective date.

I will not bring in more studies. One side quotes studies suggesting that raising the minimum wage by a dollar will bring in a kabillion dollars in benefit; the other quotes studies saying that raising the minimum wage will bring about the Book of Revelations. I am sure there is some reality in between those two extremes.

We were challenged by the bill's sponsor to reach out to our members, and we have done that. The folks I reached out to were not the big guys, not even the franchisees, but the folks with locally owned businesses and restaurants. Let us talk about these small business owners. We have heard today about hard-working employees. Small business owners are some of the hardest working people you will ever meet. They do not get overtime or sick leave, and they have to pay their employees before they pay themselves. They are certainly not members of the billionaire class.

When I talk to these folks, they are concerned about a one-size-fits-all mandate that may work for some businesses, but not all. There seems to be an idea that the small business owner has a pot of gold sitting in the back room, and when a

new mandate comes in, all they have to do is grab a couple coins out of the pot to pay for it. That is not true. The money has to come from somewhere. It can come from raising prices, from not hiring as many people or from not giving as much training.

I talked to one restaurant owner whose cooks and dishwashers make about \$10 an hour. His tipped employees make \$25 an hour. We heard a lot about tip credits. Most other states have tip credits; Nevada does not. We heard a lot about daily overtime. Forty-six other states match the federal 40-hour a week overtime law; Nevada does not.

We are willing to have this conversation, but we have to remember that we are affecting all businesses, not just the big guys. You cannot be for job creation and then make it more expensive to create jobs. You cannot be for workforce development and then cut off opportunities for young and entry-level workers to learn basic training skills.

We oppose this bill, but we look forward to working with you on it.

CHAIR ATKINSON:

Would you like to see a separate bill on overtime? We can do that.

MR. ABNEY:

We should talk about overtime, yes.

SENATOR CANCELA:

I have a couple of questions I would like you to put to your members. First, I would like to understand what the average pay at small businesses is today. How many employees who work for the small businesses you represent are making minimum wage? In earlier testimony, we heard that there are only some 20,000 workers in all of Nevada who are currently receiving minimum wage.

Second, what has the profit increase been for small businesses over the last five years? If we are forecasting into the future, the empirical data we need to look at is what has happened over the last five years as we were recovering, as we project for future growth and changes.

Third, we need to look at whether the small businesses you represent have given their workers raises over the course of the last decade. I would think that business owners calculate cost-of-living increases for their employees.

If you could ask your members for those three data points, Mr. Abney, it would be appreciated.

VICTORIA SEAMAN (Real Chamber of Commerce):

I am a small business owner in Nevada and Director of Membership for the Real Chamber of Commerce, an organization dedicated to the support of small and medium-sized businesses in Nevada.

As a business owner, I know firsthand the negative effects of an artificially high minimum wage. An artificially high minimum wage actually hurts the people it purports to help. Unlike a government that can issue more and more debt and create its own money, small businesses must have more money coming in than going out. Income must exceed expenses in order to stay in business.

We talked about neighboring states, so I would like to bring out a few facts. According to a report two weeks ago by CNN News, a hike in the minimum wage to \$10 an hour that took effect on January 1 in Arizona is causing some small businesses to struggle, even forcing some to close shop. The story continues:

Many businesses are raising prices, but others like one deli owner in Tucson say it's too much. Dean Greenberg says after nine years, the new minimum wage was the last straw before he shut down the deli, laying off 43 employees in the process. "So there are a lot more memories and emotions there than it was doing as a business," Greenberg said. "I hired so many kids that I coached. I mean it was like the way they got a job, you know? And so at the end of the day that is what's sad."

According to a Tucson Metro Chamber survey, 13 percent of businesses say they are closing their doors for good because of the wage hike. Note that the wage hike in Arizona was only to \$10 an hour.

The facts are clear. This minimum wage hike is not good for Nevada businesses or job creation. For this reason, the Real Chamber and I strongly oppose

S.B. 106. As a former member of Nevada's Legislature, I know that we must always think about the unintended consequences of the legislation brought before us, and this bill is no exception. I am asking you to vote no on S.B. 106.

ROBERT BUCKEL (Henderson Chamber of Commerce):

I am here in opposition to S.B. 106. As a small business owner with the experience of formerly managing 84 employees who worked close to minimum wage, I want to share some information with you.

On average, each of my stores went through 444 hours of labor every week. Increasing this by 75 cents is an extra cost of \$330 a week. By the end of the first year, with the Modified Business Tax (MBT), federal taxes and other fees such as workers' compensation increases, the added cost would be around \$20,000. By the fifth year, my weekly costs would be approximately \$1,665 higher each week before taxes. With taxes, my annual costs would have grown by \$100,000. Increasing wages for the lowest paid employees means I would have to increase the wages of supervisors and shift leads as well. My estimate is that by the end of year five, my annual costs will have grown by \$275,000 for each store. That includes federal tax, workers' compensation and MBT. With three stores, my annual costs would increase by \$825,000. If I had to pay that extra amount out of pocket, all three of my stores would close.

Raising wages does not guarantee people will spend more money at the store. The only practical way to survive is to raise prices. A sandwich that now costs \$5.70 would then cost \$7.35. Small businesses must have the ability to make a profit as they are the innovators, the risk-takers and the entrepreneurs. We take care of our employees, pay our bills and pay our taxes. I urge the Committee to consider the cumulative impact of this bill on the business owner.

WARREN B. HARDY (Nevada Restaurant Association):

I want to thank Senator Ford for not only being willing to listen to our concerns, but actually reaching out to us and asking us to come in. He has taken a very measured approach with this bill, and it is clear to me that he is interested in the impact of S.B. 106 on business. By comparison, A.B. 175 is problematic and difficult.

I want to dispel the notion that businesses do not want to provide a good wage for their employees. Especially in the restaurant business, a happy employee is the most valuable resource a business owner has. Those are the individuals who

talk with your customers on a daily basis. They represent your business. Having a happy employee is essential to the business, and paying a fair wage is extremely important to having a happy employee. Turnover is one of the biggest killers of business, given the cost of training new employees to our standards.

CHAIR ATKINSON:

I agree with you, but we can also agree that those happy employees are a lot happier when they are making a livable wage.

MR. HARDY:

I will not trot out another economist. I could bring out 600 economists on one side and 600 economists on the other side. Instead, I will ask you to focus on two things. First, every business is not a billion-dollar business. The overwhelming majority of the businesses that will be impacted by this bill are struggling to get by. Wages are a third of the total cost of a business, and many restaurants operate on a margin of 2 percent to 3 percent.

Second, when discussing the impact of the bill, look at what is really happening. The restaurant industry has a unique challenge in that we have employees making minimum wage who in reality make \$50,000 to \$80,000 a year. That creates a problem when you are talking about business margins. The Committee needs to focus on margins, because that is the money we have to run our businesses. Automation is real and is happening. One thing economists most often agree on is that bills like this impact entry-level jobs. We are the gateway. We are the bottom rung on the economic ladder.

Third, there are constitutional questions about S.B. 106. We will be sending a letter to Chair Atkinson on that topic.

We oppose this legislation as it is now. We look forward to an opportunity to discuss issues like tip credit and other matters that might make it more tenable to the industry.

LEAH TAUCHEN (Retail Association of Nevada):

We oppose this bill.

In polling our members, we have found that most of our members are already paying wages of \$10 and higher. They strive to offer competitive benefits and pay to attract a strong workforce. This number is higher than minimum wage



because that is what the market demands, not because of a mandate. The retail industry prides itself on offering a variety of entry-level positions. We are concerned that as the pay level increases, there may be fewer jobs available for retailers to train people how to work. We believe we serve as a stepping stone for a lot of students and other young people, and we do not expect them to stick around. We expect that we will teach them those basic skills, and they will use them for the rest of their lives as they advance through their careers and into jobs that pay much more than minimum wage.

We understand that with this issue, there is a lot to take into consideration. We also know that the Legislature will be considering a number of other wage and compensation bills that may impose workforce mandates. We just ask that you take into account the total impact that we may see from each of those bills as they are put together. It is challenging when we are looking at each of these mandates in a vacuum rather than cumulatively.

CHAIR ATKINSON:

If your members pay a wage of \$10, this bill does not affect them. Are you okay with us raising the minimum wage to \$10?

MS. TAUCHEN:

I was just making a point.

CHAIR ATKINSON:

I was also making a point. Are you comfortable with raising the minimum wage to \$10 an hour?

MS. TAUCHEN:

We are comfortable with paying what the market demands. Not all our retailers are at the point where they are comfortable with a minimum wage of \$10 yet.

BONNIE MCDANIEL:

I am a small business owner who has lived in Las Vegas for more than 55 years. In August 2015, a fact sheet released by the Legislative Counsel Bureau (LCB) stated that:

Because provisions governing the minimum wage rate are included in the Constitution, any changes to the minimum wage provisions require a constitutional amendment. There are two ways to amend

the constitution. One way is through the Citizen Initiative process. Citizen Initiatives for constitutional amendments must be approved in identical form in two consecutive general elections. This is the process that enacted the current minimum wage requirements in the Constitution. The second way to amend the Constitution is through the legislative process. The Senate or Assembly may propose a constitutional amendment, which must pass in identical form with a majority of members in both houses in two consecutive biennial sessions. After that, the proposal must pass a popular vote during the next general election.

Please tell me how the LCB updated and confirmed research it did in 2015, and the current opinion is diametrically opposed to its 2015 opinion, which has conveniently disappeared from the Legislature's Website. In 2014, the Nevada Supreme Court wrote:

If the Legislature could change the Constitution by ordinary enactment, no longer would the Constitution be superior paramount law, unchangeable by ordinary means. It would be on a level with ordinary legislative acts, and like other acts, alterable when the Legislature shall please to alter it. In this case, the principle of constitutional supremacy prevents the Nevada Legislature from creating exemptions to the rights and privileges protected by the Nevada Constitution. It is fundamental to our federal constitutional system of government that a state Legislature has not the power to enact any law conflicting with the federal constitution, the laws of Congress or the Constitution of this particular state.

I have been in one business for over 40 years. Because I have negotiated wages, I have not had to lay off any of my employees. All my wages are higher than the minimum wage. Under the Constitution, you do not have the power to change this arbitrarily. I urge you to vote no on S.B. 106 simply because you cannot change the Nevada Constitution by yourselves.

GINO FERRARO:

I have been the owner of Ferraro's Restaurant in Las Vegas for 31 years. I employ 70 people. I pay half of them minimum wage because they earn much more than the wage you are proposing in tips. Some of them make in excess of

\$75,000 to \$80,000 a year. This creates the middle class. That is what we are looking for; that is the bottom line. We have no tip credit in Nevada like Arizona does. They can pay their employees less money; we cannot. If I pay my busperson and my server who is already making \$80,000 a year, how much can I pay the chef, the cooks, the dishwasher? I created jobs for 70 people for many years. I have people who have been with me 20 years because they are happy with what they earn and how they are treated.

I am really scared. If this bill goes into effect, I have no chance to keep my doors open. My payroll is currently 38 percent of my gross. If this increase goes into effect, payroll will be over 50 percent of my gross. There is no way I could stay open. My 70 employees make a good living and support their families. My payroll last year was over \$2 million. I paid over \$250,000 in State taxes. The State will lose that money if I am forced to close.

We are supposed to be pro-business in Nevada and not scare people away, and that is what this bill will do. We need more people to come to Nevada to start businesses so the economy will get better. I beg you not to raise the minimum wage to \$12 an hour as you are proposing. A lot of restaurants will close. I am 63 years old and I work 72 hours a week, and I do not get paid overtime. I employ a lot of families, and they asked me to come here to testify. I am testifying on their behalf because they love their jobs. If you are going to increase the minimum wage, you should have tip credit.

LISA FOSTER (State of Nevada Association of Providers):

The State of Nevada Association of Providers is a group of Medicaid-funded providers of various services for adults with intellectual disabilities. We are neutral on S.B. 106. We have no problem with increasing the minimum wage and like to pay our workers as much as we can. However, as an organization whose only income is from Medicaid, we have very little ability to increase wages without rate increases. As you probably know, there have not been rate increases for Medicaid for many years. We hope policy-makers understand this dilemma.

RAY BACON (Nevada Manufacturers Association):

We are neutral on S.B. 106. The vast majority of the manufacturers in Nevada pay more than minimum wage. I have written testimony ([Exhibit J](#)) discussing the impact of automation in manufacturing.

The one thing I will caution you about is the cost of automation. When you raise the minimum wage, you increase the appeal of moving to automation to eliminate jobs. In most cases it is not an elimination of jobs per se as much as how many more jobs are created. Consequently, it is a relatively simple calculation. For most companies that are part of a major corporation, the question is what is the return on investment (ROI)? If the ROI is less than 24 months, they are probably going to do the automation. If it is greater than that, it becomes a matter of negotiation or is driven from that factor. When you get to \$15 an hour, obviously it is dramatically different from when you are paying a lower wage. As you get closer to \$15 an hour, it starts to impact the manufacturing sector. Until you get to that number, it probably does not make a lot of difference.

Automation is not just impacting the manufacturing sector. As you are probably aware, McDonald's created a fully automated restaurant in Phoenix. They are still playing with it to figure out how to make it work, but when they do, that is a whole bunch of potential job losses.

CHAIR ATKINSON:

I would like to ask our Committee Counsel to clarify the constitutionality of this bill.

BRYAN FERNLEY (Counsel):

The Legal Division of the LCB has reviewed the provisions of S.B. 106 and the cases decided by the Nevada Supreme Court addressing the Nevada Constitution's Minimum Wage Amendment. It is a well-established rule of State constitutional construction that the power of the Legislature to enact laws is extremely broad except where limited by the U.S. Constitution or the Nevada Constitution. In addition, any limitations on the Legislature's power in the Nevada Constitution are to be strictly construed, and the provisions of the Nevada Constitution must not be interpreted to inhibit the power of the Legislature unless the provision clearly prohibits the Legislature from acting.

In cases interpreting the Minimum Wage Amendment, the Nevada Supreme Court has held that only statutes that conflict with the constitutional amendment are prohibited by the amendment. In *Thomas v. Nevada Yellow Cab*, the Nevada Supreme Court held that there was a conflict between a statute and the constitutional amendment because the statute exempted certain employees from the minimum wage requirement but the constitutional

amendment did not contain such an exemption. In the case of this bill, the constitutional amendment clearly states that employers must pay a wage of "at least" the amounts set forth in the language of the amendment. Thus, increasing the minimum wage by legislation would not conflict with the constitutional amendment. Because there is no conflict with the constitutional amendment, the Legislature has the power to enact legislation to increase the minimum wage.

SENATOR SPEARMAN:

Someone indicated that there had not been any longitudinal studies with regard to the effects of minimum wage on small businesses. There has been one: "Explaining the Small Employment Effects of the Minimum Wage in the United States" by J. Schmitt. It covers the years from 2000 to 2015 and was published in October 2016. Its conclusion states:

Given the relatively low cost to employers of modest increases in the minimum wage, these adjustment mechanisms appear to be sufficient to avoid employment losses, even for employers with a large share of low-wage workers.

I am not insensitive to the comments we have heard from small business owners. I appreciate the part you play in helping the economy of Nevada grow.

SENATOR FORD:

We have heard perspectives from both employers and employees, and they are not mutually exclusive. This bill was an effort to try to find the right balance between providing a living wage to employees and providing an opportunity for employers to maintain a good job. That is why I reached out to the business groups. This was not intended to be a take-it-or-leave-it measure. I requested amendments and suggestions as to ways we could make this measure more amendable to businesses. When it came to tip credit, I told them that we want to keep this bill clean and stick to the single subject of minimum wage. No amendments were brought to me. It is disconcerting that most of the businesses testifying against S.B. 106 acknowledged that their businesses already pay more than minimum wage. It seems to me that they should have an appreciation for the importance of ensuring that employees are happier when they get paid a living wage. That said, I remain open and amenable to recommendations on ways to amend this bill so employees and employers can have a mutually beneficial coexistence.

I also heard questions about whether we had any Nevada-specific data. The answer is an unequivocal yes. We heard from sociologists and economists from UNR about this. There was also an article by Hugh Anderson, a journalist in Las Vegas, which included statements from a UNLV professor talking about how the minimum wage would not have an overtly negative impact on the Nevada economy.

Mr. Abney was right when he said he could get 600 economists on one side and 600 economists on the other side. That can be interpreted however you want. It comes down to a question of judgment. This is why we are here as Legislators: to exercise our judgment based on differing information. In my judgment, it is better to find a compromise between the two goals of allowing business to thrive and giving employees a living wage. An increase of 75 cents an hour each year for 5 years gives businesses an opportunity to plan out how to implement it and is a decent compromise. I hope you share that same judgment.

I am not divorced from the concern about how this is going to affect small businesses. My wife owns a small business. She is such a good small business owner that she was on the cover of *Nevada Business*. I am not proposing legislation that will not affect me. The immediate effect of legislation increasing the minimum wage has an effect on my wife's business. When we talk later this Session about other business-related issues such as earned sick leave or equal pay for equal work, I will feel it at home as well. I bring that to your attention so that you understand that I look at this issue from several perspectives. I hope at the end of the day we can agree that this is the right approach and pass this legislation to help both businesses and their employees.

CHAIR ATKINSON:

We have received written testimony from a number of groups and individuals who were either not able to be present at this meeting or who were not heard because of our time constraints. I am therefore submitting written testimony from Jimmi McKee ([Exhibit K](#)), Elliot Malin, AFP ([Exhibit L](#)), Andrew McKay, Nevada Franchised Auto Dealers Association ([Exhibit M](#)), Connie McMullen, Personal Care Association of Nevada ([Exhibit N](#) and [Exhibit O](#)), Mike PeQueen ([Exhibit P](#)), Patti Jesinoski ([Exhibit Q](#)), and James Carter ([Exhibit R](#)).

Just for the record, the proponents talked for 21 minutes, the opponents talked for 33 minutes and the neutral had 3 minutes.

I will close the hearing on S.B. 106.

We have two additional requests for bill draft requests (BDRs) to be written by the LCB. The first provides for consumer and labor protections and has provisions related to public safety.

SENATOR SPEARMAN MOVED TO INITIATE A BDR REGARDING CONSUMER AND LABOR PROTECTIONS WITH PROVISIONS RELATED TO PUBLIC SAFETY.

SENATOR CANNIZZARO SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

\* \* \* \* \*

CHAIR ATKINSON:

The second BDR request has to do with provisions related to business licenses.

SENATOR SPEARMAN MOVED INITIATE A BDR REGARDING PROVISIONS RELATED TO BUSINESS LICENSES.

SENATOR CANNIZZARO SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

\* \* \* \* \*

CHAIR ATKINSON:

Is there any public comment?

JAMES KATZEN:

I have written testimony regarding raising the minimum wage ([Exhibit S](#)). I have a question I want everyone to ask themselves as they consider either S.B. 106 or A.B. 175. Either we pay a living wage and have human dignity of people making what they earn from their efforts or at labor, or we pay a wage that we are forced to subsidize through public funds. We are going to pay one way or the other. Let these people have the dignity of making a living wage by their own efforts.

Senate Committee on Commerce, Labor and Energy  
February 20, 2017  
Page 40

CHAIR ATKINSON:

Is there any further public comment? Hearing none, I will adjourn the meeting at 11:00 a.m.

RESPECTFULLY SUBMITTED:

---

Lynn Hendricks,  
Committee Secretary

APPROVED BY:

---

Senator Kelvin Atkinson, Chair

DATE: \_\_\_\_\_



<b>EXHIBIT SUMMARY</b>				
<b>Bill</b>	<b>Exhibit / # of pages</b>		<b>Witness / Entity</b>	<b>Description</b>
	A	1		Agenda
	B	10		Attendance Roster
S.B. 106	C	9	Jackson Brainerd / NCSL	Minimum Wage Nevada Presentation
S.B. 106	D	7	Rachel West / Center for American Progress	Written Testimony
S.B. 106	E	8	Susan Chandler	Presentation Statistics
S.B. 106	F	1	Todd Sorensen	Written Testimony
S.B. 106	G	1	Kathleen Bienenstein / Lambda Business Association	Written Testimony
S.B. 106	H	4	Randi Thompson / NFIB	Written Testimony
S.B. 106	I	4	Randi Thompson / NFIB	Presentation
S.B. 106	J	2	Ray Bacon / Nevada Manufacturers Association	Written Testimony
S.B. 106	K	2	Jimmi Mckee	Written Testimony
S.B. 106	L	25	Elliot Malin / AFP	Written Testimony
S.B. 106	M	1	Andrew J. McKay / Nevada Franchised Auto Dealers Association	Written Testimony
S.B. 106	N	2	Connie McMullen / Personal Care Association of Nevada	Written Testimony
S.B. 106	O	1	Connie McMullen / Personal Care Association of Nevada	Presentation
S.B. 106	P	1	Mike PeQueen	Written Testimony
S.B. 106	Q	3	Patti Jesinoski	Written Testimony
S.B. 106	R	1	James Carter / NSEA	Written Testimony
S.B. 106	S	1	James Katzen	Written Testimony