
**Labor & Workforce Development
Committee**

HB 1531

Brief Description: Adjusting the minimum wage rate based on changes in consumer prices.

Sponsors: Representatives Condotta, Shea, Warnick, Fagan, Taylor and Chandler.

Brief Summary of Bill

- Removes the requirement that the Department of Labor and Industries calculate the minimum wage rate based on the rate of inflation during a 12-month period.
- Requires that beginning on September 30, 2011, calculations of the adjusted minimum wage rate reflect the actual change in consumer prices since September 1, 2000.

Hearing Date: 2/11/11

Staff: Alison Hellberg (786-7152).

Background:

Employers covered under the state Minimum Wage Act are required to pay employees no less than the state minimum wage rate. The state minimum wage rate is currently \$8.67 per hour; the federal minimum wage rate is currently \$7.25.

Initiative 688 requires that the state minimum wage rate be adjusted for inflation each year. The Department of Labor and Industries (Department) calculates the adjusted rate "to maintain employee purchasing power by increasing the current year's minimum wage rate by the rate of inflation" using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), for the 12 months prior to each September 1. The adjusted rate is calculated on September 30 of each year, and takes effect on January 1 of the following year.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

During the 12-month period between September 1, 2008 and September 1, 2009, there was a decrease in consumer prices measured by the CPI-W. The Department maintained the 2009 minimum wage rate of \$8.55 for 2010 and did not increase it. The CPI-W increased between September 1, 2009 and September 1, 2010, but not to the level of 2008.

The Director of the Department (Director) requested an Attorney General Opinion (AGO) on whether the Department is required to increase the minimum wage solely on the basis of an increase in the CPI-W as compared to the previous year. The AGO concluded that the Department is not required to "increase the minimum wage every time the CPI-W increases, without regard to the actual cost of living reflected by the CPI-W or its pattern of increases and decreases over time."

The Director also asked whether the Department must increase the minimum wage for 2011 because the CPI-W increased, or whether the statute permitted the Department to leave minimum wage at its current value until the CPI-W increases beyond its peak value. The AGO concluded that the Department may not reduce the minimum wage when the CPI-W declines and "must hold the minimum wage steady until the CPI-W regains its lost value." The Department must increase the minimum wage rate once the "CPI-W reaches the index value on which the existing minimum wage calculation is based."

The Department calculated a 12-cent increase in the minimum wage rate for 2011 based on a CPI-W increase of 1.4 percent between the 12-month period between September 1, 2009 and September 1, 2010. The Department's decision was challenged in Superior Court and plaintiffs made a motion for summary judgment. The judge denied the motion in late December. The lawsuit was later withdrawn.

Summary of Bill:

The adjusted minimum wage rate must be calculated using the CPI-W each September 1. The requirement that the calculation be limited to the 12-month period prior to each September 1 is removed. Beginning September 30, 2011, calculations of the adjusted minimum wage rate shall reflect the actual change in consumer prices since September 1, 2000, based on the CPI-W.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.