



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

Testimony on PEA-3(1)
Re: Hawaii State Association of Counties
2018 Legislative Package
Tuesday, August 22, 2017

Dear Chair Sugimura, Vice Chair Crivello &
Members of the Committee

Aloha and Mahalo for the opportunity to ring in on the proposed bills to be included in the Hawaii State Association of Counties Legislative Package.

Regarding the Resolution to Increase Revenue For Each County's Affordable Housing Fund Through A One Percent Conveyance Tax, the Chamber supports the creation of affordable housing and rental units and we appreciate the County looking at measures to assist with this. However, in considering this measure, we were looking for additional information to support this bill, including a statistic to explain why the \$2,000,000 mark was selected, how much the County expects to raise, why this method is better than other avenues, the percentage of local buyers this would impact, etc. Not seeing this information, we would like to see additional justification if this bill is going to move forward into the legislative package.

We support the Resolution to Require Online Travel Companies and Other Transient Accommodations Remarketers To Pay Transient Accommodations Tax On Their Respective Portions of Gross Rental Proceeds From the Payment of Accommodations. We support a level playing field and a fair and equitable marketplace. We understand there is always going to be market competition, but competitors should be required to pay TAT, the same as local companies. This will create an equitable marketplace and the additional TAT revenue will be beneficial for our counties and state.

We support the Resolution on Reinstating Section 281-32.3, Hawaii Revised Statutes regarding the Department of Liquor Control. Unfortunately with the 2008 repeal of this section, our county chose to now treat nonprofits and special one day liquor licenses differently when other counties have not. The recent changes have been harmful to local nonprofits and businesses as a result of the 2008 repeal so we support the resolution for adding Section 281.32-3 HRS back to clarify the rules and requirements and return to the older, more streamlined process.

RECEIVED AT PEA MEETING ON 8/22/17
Amber Coutos



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We oppose the inclusion of the Resolution to Increase the State Minimum Wage to \$15.00 Per Hour Beginning January 1, 2019. The minimum wage is not meant to be a living wage, nor is it a skill wage reflective of the skills employees bring to the table. It is simply a starting point and is generally used for unskilled labor and most employers are paying their employees more than the minimum wage. In the current HRS, the minimum wages set from 2015 to 2018 do not increase by more than \$.85 each year. To propose that the minimum wage be increased \$4.90 from 2017 to 2018 is unheard of and could be detrimental to businesses who also have the added costs of benefits and taxes. This Resolution shows a lack of understanding of how businesses operate and budget. Raising the minimum wage so drastically could force employers to reduce hours and other benefits for employees and in turn, hurt those that this proposed Resolution seeks to help or be too large of a financial burden for many local businesses to undertake. Please see and consider the attached flier on the economic realities and eliminate this proposal from your legislative package.

We would also request that our County ring in on the issue of rail. While Oahu voted to proceed with rail, several proposals now seek to have neighbor islands and/or our visitors contribute to the financing of the rail project. We should not have to see Maui County's TAT or our State GET increase to fund the rail system and we hope you will add this agenda item into our legislative package.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



Challenges with a High Minimum Wage Increase

from a Business & Economic Perspective

The Perception	The Reality
A minimum wage increase is needed to help Hawaii's working poor, including single parents who are head of households.	The minimum wage increase is not the answer to reducing poverty. Of the 1.8 million people earning the minimum wage, only 20.8% of them are the head of their household. The rest are students or young adults. Many of those are part of households well above the poverty line. Reports show that we are talking 4% of the population.
Young people cannot survive on the minimum wage.	They are not meant to. The minimum wage was never meant to be living wage. It is an entry level, training wage. Employers pay more for skilled labor. Many workers, particularly youths, need the experience of having a job, learning the discipline of holding a job, developing a strong work ethic, gaining people skills (courtesy, being helpful), etc. These skills are all important. Studies show that youths that started to work early in their lives were much better suited for the work force as adults. With less opportunities available to them, they will be at a disadvantage when they are seeking a career.
It will benefit the elderly.	Many elderly employees are retired, receiving social security, have spouses who receive a pension, etc. and are working to receive medical coverage. Now, with high minimum wage increase, many of them will be losing their jobs and medical coverage when companies must cut expenses to survive.
It only increases costs for a fraction of the employment base.	Not true. A minimum wage increase creates what is known as a wage compression, meaning a compression between wages paid to unskilled labor and skilled labor that results in a wage inflation. Even employers who currently pay more than the minimum wage well understand that other employees will also expect a wage increase, which raises wage costs across the board.
It will not hurt businesses. They can absorb the associated costs.	Hawaii also has some of the highest rates for unemployment insurance, TDI insurance, and workers' compensation. When wages go up, the costs associated with those wages also go up. Then there is the increase in FICA (Social Security & Medicare) taxes. In addition, businesses are seeing many other costs rise as well, including: health care, insurance, gas, electricity, etc. Burdening business with additional costs, with no productivity gain, weakens Hawaii's businesses and makes them less competitive in the global marketplace. Why not help strengthen Hawaii's businesses and grow jobs?
If it does create a hardship, cost increases can simply be passed on to consumers.	Raising prices is not always doable. Many prices are already at the point of diminishing returns. Any price increase will result in lower sales. Lower sales means less production. Less production means layoffs.
The proposed increases will not lead to job losses and higher unemployment.	Major studies show that hikes in the minimum wage always lead to higher unemployment. A previous report by the non-partisan Congressional Budget Office stated that an increase in the minimum wage to \$10.10/hr would lead to the loss of 500,000 jobs across the nation and an increase to \$9.00/hr. would lead to the loss of 100,000 jobs. Hawaii is already slated to go to \$10.10 per hour. Now is not the time to increase it further.
\$10.10/Hr. to \$15.00/Hr. is an astronomical jump.	A rate increase of this magnitude will create a hardship for local businesses for all of the reasons noted above and due to the magnitude of the hit. It is not reasonable or justifiable.

The Bottom Line: The Economic Impacts Must Be Adequately Weighed

Increasing the minimum wage, especially at the proposed level, will:

- Not solve Hawaii's poverty issue
- Harm seniors and youth
- Hurt many businesses
- Cause a decrease in work hours
- Slow down job creation
- Lead to job losses and increased unemployment
- Inflate the price of goods and services for all, including the poor
- Do more harm than good

Please Consider The Realities & Prevent A Harmful Minimum Wage Increase