



# House of Representatives

**File No. 596**

General Assembly

February Session, 2012

**(Reprint of File No. 141)**

Substitute House Bill No. 5291  
As Amended by House Amendment  
Schedule "A"

Approved by the Legislative Commissioner  
April 27, 2012

## **AN ACT CONCERNING THE MINIMUM WAGE.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (j) of section 31-58 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective*  
3 *January 1, 2013*):

4 (j) "Minimum fair wage" in any industry or occupation in this state  
5 means a wage of not less than six dollars and seventy cents per hour,  
6 and effective January 1, 2003, not less than six dollars and ninety cents  
7 per hour, and effective January 1, 2004, not less than seven dollars and  
8 ten cents per hour, and effective January 1, 2006, not less than seven  
9 dollars and forty cents per hour, and effective January 1, 2007, not less  
10 than seven dollars and sixty-five cents per hour, and effective January  
11 1, 2009, not less than eight dollars per hour, and effective January 1,  
12 2010, not less than eight dollars and twenty-five cents per hour, and  
13 effective January 1, 2013, not less than eight dollars and fifty cents per  
14 hour, and effective January 1, 2014, not less than eight dollars and  
15 seventy-five cents per hour or one-half of one per cent rounded to the

16 nearest whole cent more than the highest federal minimum wage,  
17 whichever is greater, except as may otherwise be established in  
18 accordance with the provisions of this part. All wage orders in effect  
19 on October 1, 1971, wherein a lower minimum fair wage has been  
20 established, are amended to provide for the payment of the minimum  
21 fair wage herein established except as hereinafter provided. Whenever  
22 the highest federal minimum wage is increased, the minimum fair  
23 wage established under this part shall be increased to the amount of  
24 said federal minimum wage plus one-half of one per cent more than  
25 said federal rate, rounded to the nearest whole cent, effective on the  
26 same date as the increase in the highest federal minimum wage, and  
27 shall apply to all wage orders and administrative regulations then in  
28 force. The rates for learners, beginners, and persons under the age of  
29 eighteen years shall be not less than eighty-five per cent of the  
30 minimum fair wage for the first two hundred hours of such  
31 employment and equal to the minimum fair wage thereafter, except  
32 institutional training programs specifically exempted by the  
33 commissioner.

34 Sec. 2. Subsection (b) of section 31-60 of the general statutes is  
35 repealed and the following is substituted in lieu thereof (*Effective*  
36 *January 1, 2013*):

37 (b) The Labor Commissioner shall adopt such regulations, in  
38 accordance with the provisions of chapter 54, as may be appropriate to  
39 carry out the purposes of this part. Such regulations may include, but  
40 are not limited to, regulations defining and governing an executive,  
41 administrative or professional employee and outside salesperson;  
42 learners and apprentices, their number, proportion and length of  
43 service; and piece rates in relation to time rates; and shall recognize, as  
44 part of the minimum fair wage, gratuities in an amount (1) equal to  
45 twenty-nine and three-tenths per cent, and effective January 1, 2009,  
46 equal to thirty-one per cent, and effective January 1, 2013, equal to  
47 thirty-one and seventy-six hundredths per cent, and effective January  
48 1, 2014, equal to thirty-three and seventy-one hundredths per cent, and  
49 effective January 1, 2015, equal to thirty-one per cent of the minimum

50 fair wage per hour for persons, other than bartenders, who are  
 51 employed in the hotel and restaurant industry, including a hotel  
 52 restaurant, who customarily and regularly receive gratuities, (2) equal  
 53 to eight and two-tenths per cent, and effective January 1, 2009, equal to  
 54 eleven per cent, and effective January 1, 2013, equal to thirteen and  
 55 sixty-five hundredths per cent, and effective January 1, 2014, equal to  
 56 sixteen and eleven hundredths per cent, and effective January 1, 2015,  
 57 equal to eleven per cent of the minimum fair wage per hour for  
 58 persons employed as bartenders who customarily and regularly  
 59 receive gratuities, and (3) not to exceed thirty-five cents per hour in  
 60 any other industry, and shall also recognize deductions and  
 61 allowances for the value of board, in the amount of eighty-five cents  
 62 for a full meal and forty-five cents for a light meal, lodging, apparel or  
 63 other items or services supplied by the employer; and other special  
 64 conditions or circumstances which may be usual in a particular  
 65 employer-employee relationship. The commissioner may provide, in  
 66 such regulations, modifications of the minimum fair wage herein  
 67 established for learners and apprentices; persons under the age of  
 68 eighteen years; and for such special cases or classes of cases as the  
 69 commissioner finds appropriate to prevent curtailment of employment  
 70 opportunities, avoid undue hardship and safeguard the minimum fair  
 71 wage herein established. Regulations in effect on July 1, 1973,  
 72 providing for a board deduction and allowance in an amount differing  
 73 from that provided in this section shall be construed to be amended  
 74 consistent with this section without the necessity of convening a wage  
 75 board or amending such regulations.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2013</i>	31-58(j)
Sec. 2	<i>January 1, 2013</i>	31-60(b)

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

### **OFA Fiscal Note**

#### **State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 13 \$</b>	<b>FY 14 \$</b>
Various State Agencies	Various Appropriated Funds - Cost	Less than \$130,000	Less than \$275,000

#### **Municipal Impact:**

<b>Municipalities</b>	<b>Effect</b>	<b>FY 13 \$</b>	<b>FY 14 \$</b>
Various Municipalities	STATE MANDATE - Cost	See Below	See Below

### **Explanation**

The bill results in increased payroll and contract costs to the state and municipalities. The bill raises the state minimum hourly wage from \$8.25 to \$8.50 on January 1, 2013, and from \$8.50 to \$8.75 on January 1, 2014.

### **Payroll Impact**

An increase in the state minimum wage will have a fiscal impact on the payroll of state and municipal employees (primarily general workers, summer workers, DEEP seasonal workers, student and senior workers). There would also be a direct increase<sup>1</sup> in social security fringe benefit costs. These state payroll and fringe costs are not anticipated to be significant, (estimated at \$5,000 in FY 13 and \$25,000 in FY 14<sup>2</sup>) but could have an impact on a limited number of programs

<sup>1</sup> Employers are liable for 6.2% Social Security and 1.45% Medicare taxes.

<sup>2</sup> Estimate does not include costs to non-appropriated funds, such as the operating funds of the constituent units of higher education, which would also be impacted.

(such as recreational programs) that largely utilize these types of positions.

The bill also increases costs to municipalities that employ minimum wage workers. For example, the city of New Haven parks and recreation department expects to hire 2,000 student workers at \$8.25 an hour for an 8 week summer program. The total student worker cost for this program is currently \$3.3 million. Under the bill, the student workers pay will increase to \$8.50 an hour in FY 13. Due to timing of the impact, the FY 13 cost would be \$33,000 and the FY 14 cost would be \$100,000. This increase represents less than 1% of New Haven's total budget.

Another example is the town of Manchester which currently employs 43 part time employees at \$8.25 an hour and 35 part time employees at \$8.50 an hour. It is estimated these employees work 20 hours a week for 26 weeks for a total current cost of \$339,170. Under the bill, the pay for 43 of these workers will increase to \$8.50 an hour in FY 13. Due to timing of the impact, the FY 13 cost would be \$2,795 and the FY 14 cost would be \$5,330. This increase represents less than 1% of Manchester's total budget.

The impact to municipalities will vary depending on the number of minimum wage workers they employ and the extent of the services they provide.

### ***Contract Impact***

In addition, the bill will increase certain state contract costs. All state service contracts exceeding \$50,000 require the state to pay standard wage (which is higher than the bill's proposed minimum wage increase) and therefore would not be impacted. Service contracts (such as custodial) below the \$50,000 threshold are exempt from this requirement, however, and would be impacted. In addition, numerous non-service contracts in which vendors employ staff at minimum wage would also be impacted. Many contracts entered into since 2008 have a provision that allows the contractor to seek a price

adjustment if the minimum wage is increased, whereas some contracts do not. As a result, the timing of these impacts is uncertain.

In general, labor costs comprise approximately 80% of the cost of these contracts. Assuming 50% of covered employees earn minimum wage, there would be an overall annualized increase of 1.5% in FY 13 and an additional increase of 1.5%, for a total increase of approximately 3% in FY 14. The full impact to state contract costs is difficult to quantify. The Department of Administrative Services has identified approximately 150 contracts worth an estimated \$3 million that would be potentially impacted, resulting in increased annual costs estimated at \$36,000 in FY 13 and \$72,000 in FY 14. The Department of Transportation has similarly identified several contracts which would be impacted, resulting in increased annual costs up to \$50,000. In total, it is estimated that state contracts could be impacted by as much as \$125,000 in FY 13 and \$250,000 in FY 14.

### ***Other***

There is no fiscal impact anticipated to the Department of Labor due to any of the provisions of the bill.

The bill also adjusts the minimum wage “tip credit.” These provisions are not anticipated to result in a fiscal impact to the state or municipalities.

House “A” strikes the underlying bill and its associated fiscal impact and results in the fiscal impact described above.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

*Sources: Departments of Administrative Services, Labor and Transportation, City of New Haven, Town of Manchester*

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**OLR Bill Analysis****sHB 5291 (as amended by House "A")\******AN ACT CONCERNING THE MINIMUM WAGE.*****SUMMARY:**

This bill raises the hourly minimum wage from its current \$8.25 to \$8.50 on January 1, 2013, and from \$8.50 to \$8.75 on January 1, 2014.

It also adjusts the minimum wage "tip credit," which allows employers to use the tips certain employees receive to satisfy a portion of their minimum wage requirement. Together with the increases to the minimum wage, the adjustments increase the employer's share of the hotel and wait staff wage from its current \$5.69 to \$5.80 in 2013, keeps it at \$5.80 in 2014, then raises it to \$6.04 in 2015. The bill keeps the employer's share of a bartender's minimum wage at its current \$7.34 in 2013 and 2014, then raises it to \$7.79 in 2015.

The law, unchanged by the bill, allows learners, beginners, and people under age 18 to be paid 85% of the minimum wage for the first 200 hours of their employment. In effect, the bill's minimum wage increases raise this wage from its current \$7.01 to \$7.23 in 2013, and to \$7.44 in 2014.

\*House Amendment "A" replaces the original bill (File 141), which (1) increased the minimum wage to \$8.75 in 2013, and \$9.25 in 2014, (2) required annual minimum wage adjustments based on the Consumer Price Index starting in 2015, (3) adjusted the tip credit, and (4) increased the amount that could be recovered from employers who violated minimum wage and overtime laws.

EFFECTIVE DATE: January 1, 2013

## TIP CREDIT

The law allows the employers of hotel and restaurant staff and bartenders who customarily receive tips to count these employees' tips as a portion of their minimum wage requirement. This "tip credit" lowers the employer's share of the minimum wage, as long as the employee's tips make up the difference. Current law allows tips to comprise 31% (\$2.56) of the minimum wage for hotel and restaurant employees, and 11% (\$0.91) of the minimum wage for bartenders, leaving their employers' shares of the wage at \$5.69 and \$7.34, respectively.

The bill adjusts the hotel and restaurant employees tip credit to (1) 31.76% on January 1, 2013; (2) 33.71% on January 1, 2014; and (3) 31% on January 1, 2015. Together with the bill's minimum wage increases, this makes the employer's share of the hotel and restaurant employees' minimum wage \$5.80 in 2013 and 2014, and \$6.04 in 2015. Table 1 shows how the bill's changes to the tip credit affect the employer's share of the hotel and restaurant employees' minimum wage.

**Table 1: The hotel and restaurant employees' tip credit**

Year	Min. Wage	Tip Credit (%)	Tip Credit (\$)	Employer's Share of Wage
<b>2012</b> (current law)	\$8.25	31%	(\$8.25 x .31) <b>\$2.56</b>	(\$8.25 - \$2.56) <b>\$5.69</b>
<b>2013</b> (the bill)	\$8.50	31.76%	(\$8.50 x .3176) <b>\$2.70</b>	(\$8.50 - \$2.70) <b>\$5.80</b>
<b>2014</b> (the bill)	\$8.75	33.71%	(\$8.75 x .3371) <b>\$2.95</b>	(\$8.75 - \$2.95) <b>\$5.80</b>
<b>2015</b> (the bill)	\$8.75	31%	(\$8.75 x .31) <b>\$2.71</b>	(\$8.75 - \$2.71) <b>\$6.04</b>

The bill adjusts the bartenders' tip credit to (1) 13.65% on January 1, 2013; (2) 16.11% on January 1, 2014; and (3) 11% on January 1, 2015. With the bill's minimum wage increases, these changes keep the employer's share of a bartender's minimum wage at its current \$7.34 in 2013 and 2014, and increase it to \$7.79 in 2015. Table 2 shows how the bill's changes to the tip credit affect the employer's share of the bartenders' minimum wage.

Table 2: The bartenders' tip credit

Year	Min. Wage	Tip Credit (%)	Tip Credit (\$)	Employer's Share of Wage
2012 (current law)	\$8.25	11%	(\$8.25 x .11) <b>\$0.91</b>	(\$8.25 - \$0.91) <b>\$7.34</b>
2013 (the bill)	\$8.50	13.65%	(\$8.50 x .1365) <b>\$1.16</b>	(\$8.50 - \$1.16) <b>\$7.34</b>
2014 (the bill)	\$8.75	16.11%	(\$8.75 x .1611) <b>\$1.41</b>	(\$8.75 - \$1.41) <b>\$7.34</b>
2015 (the bill)	\$8.75	11%	(\$8.75 x .11) <b>\$0.96</b>	(\$8.75 - \$0.96) <b>\$7.79</b>

**COMMITTEE ACTION**

Labor and Public Employees Committee

Joint Favorable Substitute

Yea 8 Nay 3 (03/15/2012)

Appropriations Committee

Joint Favorable

Yea 29 Nay 20 (04/13/2012)