
OLR Bill Analysis**sSB 387*****AN ACT INCREASING THE MINIMUM FAIR WAGE.*****SUMMARY:**

This bill raises the hourly minimum wage from its current \$8.25 to \$9.00 on January 1, 2014, and from \$9.00 to \$9.75 on January 1, 2015. Starting in 2016, it requires annual minimum wage adjustments based on increases in the Consumer Price Index for tri-state area urban wage earners and clerical workers (CPI), as calculated by the U.S. Bureau of Labor Statistics.

Existing law, unchanged by the bill, 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 minimum wage "tip credit," lowers the employer's share of the minimum wage, as long as the employee's tips make up the difference. The bill's minimum wage increases will increase the employer's share of the hotel and wait staff wage from its current \$5.69 to \$6.21 in 2014, and to \$6.73 in 2015. They increase the employer's share of a bartender's wage from its current \$7.34 to \$8.01 in 2014, and to \$8.68 in 2015. Once CPI indexing begins, the employer's share of the hotel, wait staff, or bartender wages will rise at the same percentage rate as the overall minimum wage.

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 \$7.65 in 2014, and to \$8.29 in 2015. Once CPI indexing begins, the wage will rise at the same percentage rate as the overall minimum wage.

EFFECTIVE DATE: July 1, 2013

ANNUAL CPI BASED ADJUSTMENT

By July 15, 2015, and every year thereafter, the bill requires the labor commissioner to announce an adjustment, if any, to the minimum wage based on the CPI's percentage increase during the last complete calendar year. The amount of any corresponding wage increase is rounded to the nearest five cents and the new minimum wage is effective on January 1 of the next calendar year.

TIP CREDIT

Existing law allows tips to comprise 31% of the minimum wage for hotel and restaurant employees and 11% of the minimum wage for bartenders. As long as the employees' tips make up the difference, this allows hotel and restaurant staffs' employers to pay them 69% of the minimum wage, and bartenders' employers to pay them 89% of the minimum wage. Although the bill does not adjust the tip credit percentages, the bill's minimum wage increases will increase the amount these employers must pay. Table's 1 and 2 show the wage increase's effect on tip credit amounts.

Table 1: The Hotel and Restaurant Employee's Tip Credit

Year	Min. Wage	Tip Credit (31%)	Employer's Share of Wage
2013 (current law)	\$8.25	(\$8.25 x .31) \$2.56	(\$8.25 - \$2.56) \$5.69
2014 (the bill)	\$9.00	(\$9.00 x .31) \$2.79	(\$9.00 - \$2.79) \$6.21
2015 (the bill)	\$9.75	(\$9.75 x .31) \$3.02	(\$9.75 - \$3.02) \$6.73

Table 2: The Bartender's Tip Credit

Year	Min. Wage	Tip Credit (11%)	Employer's Share of Wage
2013 (current law)	\$8.25	(\$8.25 x .11) \$0.91	(\$8.25 - \$0.91) \$7.34
2014 (the bill)	\$9.00	(\$9.00 x .11) \$0.99	(\$9.00 - \$0.99) \$8.01
2015 (the bill)	\$9.75	(\$9.75 x .11) \$1.07	(\$9.75 - \$1.07) \$8.68

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable Substitute

Yea 7 Nay 4 (02/28/2013)