



Senate

General Assembly

File No. 24

February Session, 2014

Senate Bill No. 32

Senate, March 18, 2014

The Committee on Labor and Public Employees reported through SEN. HOLDER-WINFIELD of the 10th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING WORKING FAMILIES' WAGES.

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

1 Section 1. Subsection (i) of section 31-58 of the 2014 supplement to
2 the general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective July 1, 2014*):

4 (i) "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, 2014, not less than eight dollars and seventy cents
14 per hour, and effective January 1, 2015, not less than nine dollars and

15 fifteen cents per hour, and effective January 1, 2016, not less than nine
 16 dollars and sixty cents per hour, and effective January 1, 2017, not less
 17 than ten dollars and ten cents per hour or one-half of one per cent
 18 rounded to the nearest whole cent more than the highest federal
 19 minimum wage, whichever is greater, except as may otherwise be
 20 established in accordance with the provisions of this part. All wage
 21 orders in effect on October 1, 1971, wherein a lower minimum fair
 22 wage has been established, are amended to provide for the payment of
 23 the minimum fair wage herein established except as hereinafter
 24 provided. Whenever the highest federal minimum wage is increased,
 25 the minimum fair wage established under this part shall be increased
 26 to the amount of said federal minimum wage plus one-half of one per
 27 cent more than said federal rate, rounded to the nearest whole cent,
 28 effective on the same date as the increase in the highest federal
 29 minimum wage, and shall apply to all wage orders and administrative
 30 regulations then in force. The rates for learners, beginners, and persons
 31 under the age of eighteen years shall be not less than eighty-five per
 32 cent of the minimum fair wage for the first two hundred hours of such
 33 employment and equal to the minimum fair wage thereafter, except
 34 institutional training programs specifically exempted by the
 35 commissioner.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2014	31-58(i)

LAB *Joint Favorable*

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:

Agency Affected	Fund-Effect	FY 15 \$	FY 16 \$
Labor Dept.	GF - Cost	None	less than \$5,000
Office of Early Childhood	GF - Cost	None	\$785,764
Various State Agencies	Various - Cost	Approximately \$103,000	Approximately \$383,000

Municipal Impact:

Municipalities	Effect	FY 15 \$	FY 16 \$
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 \$9.00 to \$9.15 on January 1, 2015; from \$9.15 to \$9.60 on January 1, 2016; and from \$9.60 to \$10.10 on January 1, 2017.

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, seasonal workers, student and senior workers). There would also be a direct increase¹ in social security fringe benefit costs. The state payroll and fringe costs are estimated to

¹ Employers are liable for 6.2% Social Security and 1.45% Medicare taxes.

be \$49,000 in FY 15, \$195,000 in FY 16 and \$358,000 in FY 17².

The bill also increases costs to municipalities that employ minimum wage workers. For example, New Haven employed approximately 1,100 minimum wage workers in FY 12. If New Haven continued to employ the same number of minimum wage workers that it had in FY 12, the city would incur increased costs of approximately \$30,000 in FY 15, \$120,000 in FY 16 and \$220,000 in FY 17.

As an additional example, the Town of Avon employed approximately 60 seasonal minimum wage workers in its Parks and Recreation and Public Works departments in FY 12. If Avon continued to employ the same number of minimum wage workers that it had in FY 12, the town would incur increased costs of \$5,600 in FY 15, \$22,000 in FY 16 and \$41,000 in FY 17 as a result of the bill.

The impact to municipalities will vary depending on the number of minimum wage workers they employ and the extent of the services they provide. At least one town currently has implemented an hourly minimum wage ordinance of \$10.10 effective in FY 14. Thus, it is estimated that the bill will not result in a fiscal impact on that municipality.

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 bills proposed minimum wage increase) and therefore would not be impacted. However, service contracts (such as custodial) below the \$50,000 threshold are exempt from this requirement 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. As a result, the timing of these impacts is

² Estimate does not include costs to non-appropriated funds, such as the operating funds for the constituent units of higher education.

uncertain.

In general, labor costs comprise approximately 80% of the cost of these contracts. 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 \$29,000 in FY 15, \$115,000 in FY 16 and \$211,000 in FY 17. The Department of Transportation has similarly identified several contracts which would be impacted, resulting in potential increased annual costs estimated at \$25,000 in FY 15, \$73,000 in FY 16, and \$78,000 in FY 17. In total, it is estimated that state contracts could be impacted by approximately \$54,000 in FY 15, \$188,000 in FY 16, and \$289,000 in FY 17.

Administrative

The bill results in a cost of less than \$5,000 to the Department of Labor in FY 16 and FY 17 associated with the printing and distribution of posters that are provided to employers at no cost to the employer, which address minimum wage laws.

Family Child Care Providers

The bill will result in increased costs of \$785,764 in FY 16 associated with the Family Child Care Provider collective bargaining agreement. The agreement specifies the rate for unlicensed providers shall be one-third of the state's minimum wage and shall reflect any increases on January 1, 2016 or January 1, 2017. The payment for these providers is made through the Office of Early Childhood via the Child Care Services- TANF/CCDBG (Care4Kids) account.

Other

The bill may result in additional costs to some municipalities and state agencies due to wage compression. This refers to an increase in wages currently slightly above a new minimum wage due to an increase in the minimum wage.

The Out Years**State Impact:**

Agency Affected	Fund-Effect	FY 17 \$	FY 18 \$	FY 19 \$
Labor Dept.	GF - Cost	less than \$5,000	None	None
Office of Early Childhood	GF - Cost	\$3,108,312	\$4,644,737*	\$4,644,737*
Various State Agencies	Various - Cost	Approximately \$647,000	Approximately \$1,214,000	Approximately \$1,214,000

*The agreement is effective through June 30, 2017.

Municipal Impact:

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of workers and hours employed.

Sources: *City of New Haven*
Core-CT Financial Accounting System
Town of Avon

OLR Bill Analysis**SB 32*****AN ACT CONCERNING WORKING FAMILIES' WAGES.*****SUMMARY:**

Under current law, the state's minimum hourly wage is scheduled to increase from \$8.70 to \$9.00 on January 1, 2015. This bill instead increases it to (1) \$9.15 on that date, (2) \$9.60 on January 1, 2016, and (3) \$10.10 on January 1, 2017.

The bill does not change the "tip credit" allowed by law. Thus, it will automatically increase the employer's share of minimum wages for (1) hotel and wait staff from \$5.69 to \$5.78 in 2015, \$6.07 in 2016, and \$6.38 in 2017 and (2) bartenders from \$7.34 to \$7.46 in 2015, \$7.82 in 2016, and \$8.23 in 2017.

The law also allows employers to pay learners, beginners, and people younger than age 18 at a rate equal to 85% of the minimum wage for their first 200 hours of employment. The minimum wage increase scheduled under current law will effectively increase this learner's wage from its current \$7.39 to \$7.65 on January 1, 2015. The bill instead effectively increases the learner's wage to \$7.78 in 2015, \$8.16 in 2016, and \$8.59 in 2017.

EFFECTIVE DATE: July 1, 2014

TIP CREDIT

The law allows the employers of hotel and restaurant staff and bartenders who customarily receive tips to count these employees' tips towards their minimum wage requirement. The "tip credit" reduces the employer's share of the minimum wage, as long as the employees' tips make up the difference. Because the bill does not change the tip credit percentage (which, by law, is already set to increase in 2015), its

increases in the minimum wage will raise the amount that employers must pay towards their tipped employees' minimum wage requirements as shown in Tables 1 and 2.

Table 1: The Hotel and Restaurant Employees' Tip Credit

<i>Year</i>	<i>Minimum Wage</i>	<i>Tip Credit</i>	<i>Employer's Share</i>
2014 (current law)	\$8.70	34.6% (\$8.70 x .346 = \$3.01)	\$5.69 (\$8.70 - \$3.01)
2015 (current law)	\$9.00	36.8% (\$9.00 x .368 = \$3.31)	\$5.69 (\$9.00 - \$3.31)
2015 (the bill)	\$9.15	36.8% (\$9.15 x .368 = \$3.37)	\$5.78 (\$9.15 - \$3.37)
2016 (the bill)	\$9.60	36.8% (\$9.60 x .368 = \$3.53)	\$6.07 (\$9.60 - \$3.53)
2017 (the bill)	\$10.10	36.8% (\$10.10 x .368 = \$3.72)	\$6.38 (\$10.10 - \$3.72)

Table 2: The Bartenders' Tip Credit

<i>Year</i>	<i>Minimum Wage</i>	<i>Tip Credit</i>	<i>Employer's Share</i>
2014 (current law)	\$8.70	15.6% (\$8.70 x .156 = \$1.36)	\$7.34 (\$8.70 - \$1.36)
2015 (current law)	\$9.00	18.5% (\$9.00 x .185 = \$1.66)	\$7.34 (\$9.00 - \$1.66)
2015 (the bill)	\$9.15	18.5% (\$9.15 x .185 = \$1.69)	\$7.46 (\$9.15 - \$1.69)
2016 (the bill)	\$9.60	18.5% (\$9.60 x .185 = \$1.78)	\$7.82 (\$9.60 - \$1.78)
2017 (the bill)	\$10.10	18.5% (\$10.10 x .185 = \$1.87)	\$8.23 (\$10.10 - \$1.87)

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable

Yea 8 Nay 3 (03/04/2014)