



House of Representatives

General Assembly

File No. 198

February Session, 2018

House Bill No. 5388

House of Representatives, April 4, 2018

The Committee on Labor and Public Employees reported through REP. PORTER of the 94th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING A FAIR MINIMUM WAGE.

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 general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2018*):

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, and effective January 1, 2019,
18 not less than twelve dollars per hour, and effective January 1, 2020, not
19 less than thirteen dollars and fifty cents per hour, and effective January
20 1, 2021, not less than fifteen dollars per hour or one-half of one per cent
21 rounded to the nearest whole cent more than the highest federal
22 minimum wage, whichever is greater, except as may otherwise be
23 established in accordance with the provisions of this part. Effective
24 July 1, 2022, and not later than each July fifteenth thereafter, the Labor
25 Commissioner shall announce an adjustment in the minimum fair
26 wage which shall be equal to the percentage increase between the last
27 complete calendar year and the previous calendar year in the
28 consumer price index for urban wage earners and clerical workers in
29 the northeast urban area of New York-Northern New Jersey-Long
30 Island, NY-NJ-CT-PA, with no seasonal adjustment, as calculated by
31 the United States Department of Labor's Bureau of Labor Statistics,
32 with the amount of the minimum fair wage increase rounded to the
33 nearest five cents. The minimum fair wage plus the adjustment
34 announced by the Labor Commissioner on July fifteenth shall become
35 the new minimum fair wage and shall be effective on the January first
36 immediately following. All wage orders in effect on October 1, 1971,
37 wherein a lower minimum fair wage has been established, are
38 amended to provide for the payment of the minimum fair wage herein
39 established except as hereinafter provided. Whenever the highest
40 federal minimum wage is increased, the minimum fair wage
41 established under this part shall be increased to the amount of said
42 federal minimum wage plus one-half of one per cent more than said
43 federal rate, rounded to the nearest whole cent, effective on the same
44 date as the increase in the highest federal minimum wage, and shall
45 apply to all wage orders and administrative regulations then in force.
46 The rates for learners, beginners, and persons under the age of
47 eighteen years shall be not less than eighty-five per cent of the
48 minimum fair wage for the first two hundred hours of such
49 employment and equal to the minimum fair wage thereafter, except
50 institutional training programs specifically exempted by the

51 commissioner.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2018</i>	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 19 \$	FY 20 \$
Office of Early Childhood	GF - Potential Cost	1,600,000	4,400,000
Various State Agencies	Various - Cost	See Below	See Below

Note: GF=General Fund; Various=Various

Municipal Impact:

Municipalities	Effect	FY 19 \$	FY 20 \$
Various Municipalities	STATE MANDATE - Cost	See Below	See Below

Explanation

The bill results in increased compensation and contract costs to the state and municipalities. The bill raises the state minimum hourly wage from \$10.10 to \$12.00 on January 1, 2019; from \$12.00 to \$13.50 on January 1, 2020; and from \$13.50 to \$15.00 on January 1, 2021. Once the minimum wage reaches \$15.00 in 2022, the bill indexes any future increases to annual increases in the consumer price index (CPI).

State Human Services Agencies

If the provisions of the bill are interpreted to require various human service agencies to increase contracts with private providers, it will result in a cost to state agencies to accommodate an increase in the minimum wage.

For the purposes of illustration, the following examples are

provided:

Department of Developmental Services (DDS)

The fully annualized cost of DDS increasing provider reimbursement to accommodate an increase to \$15 per hour (effective 1/1/21) for Community Residential Services (funded out of DSS) and Employment Opportunities and Day Services results in an increase in program costs of approximately \$31.4 million and \$13.9 million respectively.¹

Department of Social Services (DSS)

The fully annualized cost of DSS increasing General Fund supported provider contracts to accommodate an increase to \$15 per hour (effective 1/1/21), results in an increase in costs of approximately \$14.7 million.

Family Child Care Providers

The bill will result in increased costs of \$1.6 million in FY 19 and \$4.4 million in FY 20 associated with the Family Child Care Provider collective bargaining agreement, assuming the current provisions of the contract are maintained. The original agreement expired June 30, 2017; the estimate assumes a similar contract effective in FY 19. The original agreement specified the rate for unlicensed providers must be one-third of the state's minimum wage and reflect any related increases on January 1 of the years for which the contract is active. The payment for these providers is made through the Office of Early Childhood via the Care4Kids TANF/CCDF account.

State Employee Compensation Impact

An increase in the state minimum wage will have a fiscal impact on the compensation and fringe benefits provided to state employees. The employees impacted are primarily summer workers, seasonal

¹ Based on FY 17 DDS Annual Provider Cost Reports.

workers, and student and senior workers. It is estimated that state employee compensation and fringe benefit costs² will increase by at least \$50,000 in FY 19 and \$380,000 in FY 20.

Contract Impact to State Agencies

In addition, the bill will increase certain contracted costs for state agencies. For example, the Department of Administrative Services has identified approximately 147 contracts that would be potentially impacted, resulting in increased annual contract costs estimated at \$150,000 in FY 19, and \$425,000 in FY 20 as a result of the bill.

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 19 and \$75,000 in FY 20.

Municipal Impact

The bill increases costs to municipalities that employ minimum wage workers. For example, the Town of Manchester employed approximately 157 minimum wage workers in FY 17. Assuming Manchester continued to employ the same number of minimum wage workers that it had in FY 17, the town will incur increased costs of approximately \$30,000¹ in FY 19 and \$130,000 in FY 20 as a result of the bill.

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 17. Assuming Avon continued to employ the same number of minimum wage workers that it had in FY 19, the town will incur increased costs of \$5,600¹ in FY 20 and \$22,000 in FY 19 as a result of the bill.

Other

The bill may result in additional costs to some municipalities and

² Employers are liable for 6.2% Social Security and 1.45% in Medicare taxes.

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

The annualized fiscal impact to state and municipal employees would continue into the future subject to the number of workers and hours employed.

Depending on the structure of the Family Child Care Provider collective bargaining agreement, the state could experience additional costs of \$6,900,000 in FY 20, \$8,400,000 in FY 21, and \$9,200,000 in FY 22. The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

*Sources: Core-CT Financial Accounting System
DDS 2017 Provider Cost Report
Town of Avon
Town of Manchester*

OLR Bill Analysis**HB 5388*****AN ACT CONCERNING A FAIR MINIMUM WAGE.*****SUMMARY**

This bill increases the state's minimum hourly wage from \$10.10 to (1) \$12.00 on January 1, 2019; (2) \$13.50 on January 1, 2020; and (3) \$15.00 on January 1, 2021.

Beginning in 2023, the bill indexes future minimum wage increases to annual increases in the consumer price index (CPI). Starting on July 1, 2022, it requires the labor commissioner to announce, by July 15 each year, an adjustment to the minimum wage equal to the previous year's percentage increase in the CPI for urban wage earners and clerical workers in the northeast urban area of New York-Northern New Jersey-Long Island, NY-NJ-CT-PA, with no seasonal adjustment, as determined by the U.S. Department of Labor's Bureau of Labor Statistics. The new minimum wage, rounded to the nearest five cents, becomes effective on the following January 1. Thus, the first CPI-indexed increase to the minimum wage would become effective at the start of the 2023 calendar year.

The bill also increases the employer's share of minimum wages for hotel and restaurant wait staff and bartenders each year because it does not change the "tip credit" allowed by law.

Under the bill, wages will similarly increase each year for learners, beginners, and people younger than age 18, who by law can be paid at a rate equal to 85% of the minimum wage for their first 200 hours of employment.

EFFECTIVE DATE: October 1, 2018

TIP CREDIT

The law provides a “tip credit” to employers of hotel and restaurant staff and bartenders who customarily receive tips (CGS § 31-60). The credit allows employers to count these employees' tips as a percentage of their minimum wage requirement, thus reducing the employer's share of the minimum wage, as long as the tips make up the difference. Because the bill does not change the tip credit percentage, its minimum wage increases will raise the amount that employers must pay towards their tipped employees' minimum wage requirements as shown in Tables 1 and 2.

Table 1: Hotel and Restaurant Employees' Tip Credit

Year	Minimum Wage	Tip Credit <i>(36.8% of minimum wage)</i>	Employer's Share <i>(difference between minimum wage and tip credit)</i>
2018 <i>(current law)</i>	\$10.10	\$3.72	\$6.38
2019 <i>(the bill)</i>	\$12.00	\$4.42	\$7.58
2020 <i>(the bill)</i>	\$13.50	\$4.97	\$8.53
2021 <i>(the bill)</i>	\$15.00	\$5.52	\$9.48

Table 2: Bartenders' Tip Credit

Year	Minimum Wage	Tip Credit <i>(18.5% of minimum wage)</i>	Employer's Share <i>(difference between minimum wage and tip credit)</i>
2018 <i>(current law)</i>	\$10.10	\$1.87	\$8.23
2019 <i>(the bill)</i>	\$12.00	\$2.22	\$9.78
2020 <i>(the bill)</i>	\$13.50	\$2.50	\$11.00
2021 <i>(the bill)</i>	\$15.00	\$2.78	\$12.22

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable

Yea 7 Nay 6 (03/20/2018)