



House of Representatives

General Assembly

File No. 195

January Session, 2019

House Bill No. 7191

House of Representatives, March 28, 2019

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

AN ACT INCREASING THE 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2 repealed and the following is substituted in lieu thereof (*Effective*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, 2019*):

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] and effective January 1,
18 2020, not less than eleven dollars and twenty-five cents per hour, and
19 effective January 1, 2021, not less than twelve dollars and fifty cents
20 per hour, and effective January 1, 2022, not less than thirteen dollars
21 and seventy-five cents per hour and effective January 1, 2023, not less
22 than fifteen dollars per hour. On January 1, 2024, and on each January
23 first thereafter, the minimum fair wage shall be adjusted by the
24 percentage change in the employment cost index for wages and
25 salaries for all civilian workers, as calculated by the United States
26 Department of Labor, or in its successor index, over the twelve-month
27 period ending on June thirtieth of the preceding year, and rounded to
28 the nearest whole cent. In no event shall the minimum fair wage under
29 this section be less than one-half of one per cent rounded to the nearest
30 whole cent more than the highest federal minimum wage, whichever is
31 greater, except as may otherwise be established in accordance with the
32 provisions of this part. On October 15, 2023, and on each October
33 fifteenth thereafter, the Labor Commissioner shall announce the
34 adjustment to the minimum fair wage which shall become the new
35 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] the greater of eight
48 dollars and sixty cents per hour or seventy-five per cent of the
49 minimum fair wage for the first [two hundred hours] ninety calendar
50 days of such employment and equal to the minimum fair wage
51 thereafter, except institutional training programs specifically exempted

52 by the commissioner.

53 Sec. 2. Section 31-60 of the general statutes is repealed and the
54 following is substituted in lieu thereof (*Effective October 1, 2019*):

55 (a) Any employer who pays or agrees to pay to an employee less
56 than the minimum fair wage or overtime wage shall be deemed in
57 violation of the provisions of this part.

58 (b) The Labor Commissioner shall adopt such regulations, in
59 accordance with the provisions of chapter 54, as may be appropriate to
60 carry out the purposes of this part. Such regulations may include, but
61 are not limited to, regulations defining and governing an executive,
62 administrative or professional employee and outside salesperson;
63 learners and apprentices, their number, proportion and length of
64 service; and piece rates in relation to time rates; and shall recognize, as
65 part of the minimum fair wage, gratuities in an amount (1) equal to
66 twenty-nine and three-tenths per cent, and effective January 1, 2009,
67 equal to thirty-one per cent of the minimum fair wage per hour, and
68 effective January 1, 2014, equal to thirty-four and six-tenths per cent of
69 the minimum fair wage per hour, and effective January 1, 2015, equal
70 to thirty-six and eight-tenths per cent of the minimum fair wage per
71 hour for persons, other than bartenders, who are employed in the hotel
72 and restaurant industry, including a hotel restaurant, who customarily
73 and regularly receive gratuities, (2) equal to eight and two-tenths per
74 cent, and effective January 1, 2009, equal to eleven per cent of the
75 minimum fair wage per hour, and effective January 1, 2014, equal to
76 fifteen and six-tenths per cent of the minimum fair wage per hour, and
77 effective January 1, 2015, equal to eighteen and one-half per cent of the
78 minimum fair wage per hour for persons employed as bartenders who
79 customarily and regularly receive gratuities, and (3) not to exceed
80 thirty-five cents per hour in any other industry, and shall also
81 recognize deductions and allowances for the value of board, in the
82 amount of eighty-five cents for a full meal and forty-five cents for a
83 light meal, lodging, apparel or other items or services supplied by the
84 employer; and other special conditions or circumstances which may be

85 usual in a particular employer-employee relationship. The
 86 commissioner may provide, in such regulations, modifications of the
 87 minimum fair wage herein established for learners and apprentices;
 88 persons under the age of eighteen years; and for such special cases or
 89 classes of cases as the commissioner finds appropriate to prevent
 90 curtailment of employment opportunities, avoid undue hardship and
 91 safeguard the minimum fair wage herein established. Regulations in
 92 effect on July 1, 1973, providing for a board deduction and allowance
 93 in an amount differing from that provided in this section shall be
 94 construed to be amended consistent with this section.

95 (c) Regulations adopted by the commissioner pursuant to
 96 subsection (b) of this section which define executive, administrative
 97 and professional employees shall be updated not later than October 1,
 98 2000, and every four years thereafter, to specify that such persons shall
 99 be compensated on a salary basis at a rate determined by the Labor
 100 Commissioner.

101 (d) No employer may take any action to displace an employee,
 102 including, but not limited to, a partial displacement of an employee,
 103 such as reducing the employee's hours, wages or employment benefits
 104 for purposes of hiring learners, beginners and persons under the age of
 105 eighteen years at a rate below the minimum fair wage. If the Labor
 106 Commissioner determines that an employer has knowingly violated
 107 the provisions of this subsection, the commissioner shall suspend the
 108 employer's right to pay the reduced rate for employees for a period of
 109 time specified in regulations adopted pursuant to subsection (b) of this
 110 section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2019	31-58(i)
Sec. 2	October 1, 2019	31-60

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 20 \$	FY 21 \$
Various State Agencies (Contracts)	Various - Potential Cost	at least \$2.4 million	at least \$7.3 million
Various State Agencies (State Employees)	Various - Potential Cost	1.4 million	4.8 million
Various State Agencies	GF - Potential Savings	See Below	See Below

Note: GF=General Fund; Various=Various

Municipal Impact:

Municipalities	Effect	FY 20 \$	FY 21 \$
Various Municipalities	STATE MANDATE ¹ - 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 \$11.25 on January 1, 2020; from \$11.25 to \$12.50 on January 1, 2021; from \$12.50 to \$13.75 on January 1, 2022; and from \$13.75 to \$15.00 on January 1, 2023. The bill indexes any future increases to annual changes in the employment cost index (ECI) beginning on January 1, 2024. This could result in total state costs of at least \$3.8 million in FY 20, \$12.1 million in FY 21, \$23.5 million in FY

¹ State mandate is defined in Sec. 2-32b(2) of the Connecticut General Statutes, "state mandate" means any state initiated constitutional, statutory or executive action that requires a local government to establish, expand or modify its activities in such a way as to necessitate additional expenditures from local revenues.

22, and \$40.6 million in FY 23.

Contract Impact to State Agencies

If the provisions of the bill are interpreted to require various agencies to increase contracts with private providers, it will result in a cost to state agencies to accommodate an increase in the minimum wage and associated fringe benefit costs. The following agencies have human services contracts with private providers: the departments of Mental Health and Addiction Services (DMHAS), Children and Families (DCF), Social Services (DSS), Developmental Services (DDS)², Correction (DOC), Housing (DOH), Rehabilitation Services, (DORS), Public Health (DPH), the Office of Early Childhood and the Judicial Department.

Based on a review of various agency contracts, the proposed increases are anticipated to result in a cost of at least \$1 million in FY 20, \$3.7 million in FY 21, \$8.6 million in FY 22, and \$18.8 million in FY 23.

These estimates do not include costs associated with Medicaid expenditures, which could increase for providers whose employee costs are factored into Medicaid rates.

In addition, the Department of Administrative Services has identified approximately 150 contracts that will be potentially impacted, resulting in increased annual contract costs estimated at \$400,000 in FY 20, and \$685,000 in FY 21, \$965,000 in FY 22 and \$1,250,000 in FY 23 as a result of the bill.

Family Child Care Providers

The bill could result in increased costs of \$1 million in FY 20, \$2.9 million in FY 21, \$5 million in FY 22, and \$7.1 million in FY 23

² The bill impacts DDS private provider costs in FY 23 because SA 18-5 increased the minimum wage paid to DDS funded providers to \$14.75 per hour by January 1, 2019.

associated with the Family Child Care Provider collective bargaining agreement, if the current provisions of the contract are maintained. The original agreement expired June 30, 2017; the estimate assumes a similar contract effective in FY 20. 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.

Impact to State Assistance Programs

Increasing the minimum wage could reduce participation levels in state assistance programs that have income eligibility requirements. Any savings associated with a reduction in state assistance will depend on the income limits for each program and the change in hourly wages, total hours worked, and the family size of program participants.

For reference, the average annual state Medicaid cost for an individual in HUSKY D is \$870 and \$1,860 for HUSKY A. The table below identifies the approximate number of hours various HUSKY eligibility groups could work per week at each hourly rate before becoming ineligible for the program due to exceeding income limits.

Hourly Rate	Weekly Hours				
	HUSKY D		HUSKY A		
	Adult without Dependents-Single	Adult without Dependents-Fam of 2	Parent/Caretaker-Fam of 2	Parent/Caretaker-Fam of 3	Pregnant Woman-Single
\$ 10.10	35	48	54	68	67
\$ 11.25	31	43	48	61	60
\$ 12.50	28	38	43	55	54
\$ 13.75	26	35	39	50	49
\$ 15.00	23	32	36	45	45

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 workers, and student and senior workers. It is estimated that state employee compensation and fringe benefit costs³ excluding the constituent units will increase by at least \$150,000 in FY 20, \$480,000 in FY 21, \$528,000 in FY 22, and \$576,000 in FY 23.

The bill results in a potential combined cost to the higher education constituent units of approximately \$1.2 million in FY 20 and \$4.3 million in FY 21, \$8.3 million in FY 22 and \$12.8 million in FY 23 if the number of employees and hours each works remains unchanged. As nearly all the affected constituent unit employees are students, the constituent units may choose to keep constant the total amount of institutional funds dedicated to student workers, which would result in a redistribution of these funds among students, or to increase such amount as described above.

Municipal Impact

The bill also increases costs to municipalities that employ minimum wage workers. These costs can vary significantly based on the size of the municipality. When fully phased in, the bill could result in costs as follows:

Large City (pop: 100,000+): \$800,000 - \$1.0 million

Medium Sized City (pop: 50,000 – 80,000): \$400,000 - \$600,000

Small City: (pop: 30,000 – 50,000): \$100,000 - \$300,000

Small Town (pop: less than 20,000): Less than \$50,000

As the bill requires a phase in of the minimum wage increase, these

³ Employers are liable for 6.2% Social Security and 1.45% in Medicare taxes.

costs would not be incurred until FY 23. The chart⁴ below illustrates how the phase in could impact three municipalities:

	FY 20 Est. \$	FY 21 Est. \$	FY 22 Est. \$	FY 23 Est. \$
Bridgeport	130,000	340,000	620,000	1,000,000
Manchester	70,100	185,400	341,400	550,400
Torrington	22,400	58,500	106,600	172,000

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 that are currently slightly above a new minimum wage due to an increase in the minimum wage.

The Out Years

The annualized fiscal impact to the state and municipalities would continue into the future subject to the number of workers and hours employed, and the minimum wage as adjusted annually by the federal ECI beginning in 2024.

⁴ Manchester's data for all years is based on payroll information reported by the town. The FY 23 figures for Bridgeport and Torrington represent the estimated full cost of a \$15/hour minimum wage, as reported by those towns. Costs for FY 20 to FY 22 for Bridgeport and Torrington assume that the phase in has the same proportional impact as estimated for the City of Manchester.

OLR Bill Analysis**HB 7191*****AN ACT INCREASING THE MINIMUM WAGE.*****SUMMARY**

This bill increases the state's minimum hourly wage from its current \$10.10 to (1) \$11.25 on January 1, 2020; (2) \$12.50 on January 1, 2021; (3) \$13.75 on January 1, 2022; and (4) \$15.00 on January 1, 2023. Beginning January 1, 2024, it indexes future annual minimum wage changes to the federal employment cost index (ECI, see BACKGROUND).

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

The bill also changes the "training wage" that employers may pay to learners, beginners, and people under age 18 (see BACKGROUND). Current law generally allows employers to pay these employees as low as 85% of the regular minimum wage for their first 200 hours of employment. The bill (1) changes the minimum training wage to the greater of \$8.60 or 75% of the regular minimum wage and (2) allows employers to pay the training wage to these employees for the first 90 calendar days of their employment.

The bill prohibits employers from taking any action to displace, or partially displace, an employee in order to hire learners, beginners, and minors at a subminimum wage rate. This includes reducing an employee's hours, wages, or employment benefits. If the labor commissioner determines that an employer knowingly violated this prohibition, he must suspend the employer's right to pay a training wage for a period of time specified in regulations. (Presumably, the commissioner will have to adopt such regulations, as current

regulations do not include such a penalty.)

EFFECTIVE DATE: October 1, 2019

ECI INDEXING

Starting on January 1, 2024, and each January 1 after that, the bill requires the minimum wage to be adjusted by the percent change in the ECI (or its successor index) for all civilian workers’ wages and salaries over the 12-month period ending on June 30 of the preceding year, as calculated by the U.S. Department of Labor (USDOL).

Starting on October 15, 2023, the bill requires the state’s labor commissioner to annually announce the adjustment and the new minimum wage for the next year, rounded to the nearest cent. The new minimum wage becomes effective on the following January 1.

As under current law, the minimum wage can never fall below .5% more than the federal minimum wage.

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 (36.8% of minimum wage)	Employer’s Share (difference between minimum wage and tip credit)
2019 (current law)	\$10.10	\$3.72	\$6.38
2020	\$11.25	\$4.14	\$7.11
2021	\$12.50	\$4.60	\$7.90

2022	\$13.75	\$5.06	\$8.69
2023	\$15.00	\$5.52	\$9.48

Table 2: Bartenders' Tip Credit

Year	Minimum Wage	Tip Credit (18.5% of minimum wage)	Employer's Share (difference between minimum wage and tip credit)
2019 (current law)	\$10.10	\$1.87	\$8.23
2020	\$11.25	\$2.08	\$9.17
2021	\$12.50	\$2.31	\$10.19
2022	\$13.75	\$2.54	\$11.21
2023	\$15.00	\$2.78	\$12.22

BACKGROUND

ECI

The ECI is a quarterly measure of the change in the cost of labor prepared by USDOL’s Bureau of Labor Statistics. Based on the results of a national compensation survey, the ECI’s components include changes in wages and salaries and employer costs for employee benefits.

Training Wage

Under state regulations for the training wage:

1. “learners” are employees enrolled in an established vocational training program that is not “apprenticeable,” but for which training may extend over a considerable length of time (Conn. Agencies Regs. § 31-60-7);
2. “beginners” are new employees in the mercantile industry (i.e., wholesale or retail stores), regardless of their age, whose 200 hour limit is based on their cumulative work experience in the mercantile industry (Conn. Agencies Regs. §§ 31-62-D2 & 31-62-D6); and
3. “Minors” are employees age 16 or 17, whose 200 hour limit is

based on their total aggregate work experience, which can include one or several employers (Conn. Agencies Regs. § 31-60-6).

Related Bills

HB 5004 and SB 2, reported favorably by the Labor and Public Employees Committee, both (1) increase the minimum wage to \$15.00 over three years, (2) index future minimum wage increases to the Consumer Price Index, and (3) eliminate employer's ability to pay a training wage.

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable

Yea 9 Nay 5 (03/14/2019)