



Senate

General Assembly

File No. 207

January Session, 2019

Senate Bill No. 2

Senate, March 28, 2019

The Committee on Labor and Public Employees reported through SEN. KUSHNER of the 24th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT INCREASING THE MINIMUM FAIR 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2 repealed and the following is substituted in lieu thereof (*Effective*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, and effective January 1, 2020,
18 not less than twelve dollars per hour, and effective January 1, 2021, not
19 less than thirteen dollars and fifty cents per hour, and effective January
20 1, 2022, 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, 2023, 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, 2019</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 20 \$	FY 21 \$
Various State Agencies (Contracts)	Various - Potential Cost	At least \$4.1 million	At least \$12 million
Various State Agencies (State Employees)	Various - Potential Cost	2.5 million	7.6 million
Various State Agencies	GF - Potential Savings	See Below	See Below

Note: Various=Various; GF=General Fund

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 \$12.00 on January 1, 2020; from \$12.00 to \$13.50 on January 1, 2021; and from \$13.50 to \$15.00 on January 1, 2022. The bill indexes any future increases to annual increases in the consumer price index (CPI) beginning on January 1, 2024. This could result in total state costs of at least \$6.6 million in FY 20, \$19.6 million in FY 21, and \$39 million in FY 22.

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.

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 Services² (DDS), 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 \$1.9 million in FY 20, \$6.7 million in FY 21, and \$17.9 million in FY 22.

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 \$575,000 in FY 20, \$900,000 in FY 21, and \$1,250,000 in FY 22 as a result of the bill.

Family Child Care Providers

The bill could result in increased costs of \$1.6 million in FY 20, \$4.4 million in FY 21, and \$6.9 million in FY 22 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

² The bill impacts DDS private provider costs in FY 22 because SA 18-5 increased the minimum wage paid to DDS funded providers to \$14.75 per hour by January 1, 2019.

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
\$ 12.00	29	40	45	57	57
\$ 13.50	26	36	40	51	50
\$ 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 certain 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 \$160,000 in FY 20 and \$500,000 in FY 21, and \$562,500 in FY 22.

The bill results in a potential combined cost to the higher education constituent units of approximately \$2.3 million in FY 20, \$7.1 million in FY 21, and \$12.3 million in FY 22 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 costs would not be incurred until FY 22. The chart⁴ below illustrates how the phase in could impact three municipalities:

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

⁴ Manchester's data for all years is based on payroll information reported by the town. The FY 22 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 and FY 21 for Bridgeport and Torrington assume that the phase in has the same proportional impact as estimated for the City of Manchester.

	FY 20 Est. \$	FY 21 Est. \$	FY 22 Est. \$
Bridgeport	250,000	500,000	1,000,000
Manchester	135,600	307,900	550,400
Torrington	42,300	96,000	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 CPI beginning in 2024.

OLR Bill Analysis**SB 2*****AN ACT INCREASING THE MINIMUM FAIR WAGE.*****SUMMARY**

This bill increases the state's minimum hourly wage from its current \$10.10 to (1) \$12.00 on January 1, 2020; (2) \$13.50 on January 1, 2021; and (3) \$15.00 on January 1, 2022.

Beginning in 2024, the bill indexes future minimum wage increases to annual increases in the consumer price index (CPI). Starting on July 1, 2023, 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 2024 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.

Lastly, the bill eliminates employers' ability to pay learners, beginners, and people under age 18 a "training wage," as low as 85% of the regular minimum wage, for their first 200 hours of employment (see BACKGROUND).

EFFECTIVE DATE: October 1, 2019

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	\$12.00	\$4.42	\$7.58
2021	\$13.50	\$4.97	\$8.53
2022	\$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	\$12.00	\$2.22	\$9.78
2021	\$13.50	\$2.50	\$11.00
2022	\$15.00	\$2.78	\$12.22

BACKGROUND

Training Wage

Current law generally allows employers to pay learners, beginners, and people under age 18 a “training wage,” as low as 85% of the regular minimum wage, for their first 200 hours of employment.

Under state regulations:

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, reported favorably by the Labor and Public Employees Committee, is identical to this bill.

HB 7191, reported favorably by the Labor and Public Employees Committee, (1) increases the minimum wage to \$15.00 over four years, (2) indexes future minimum wage changes to the employment cost index, and (3) allows employers to pay a training wage as low as 75% of the minimum wage for 90 calendar days.

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable

Yea 9 Nay 5 (03/14/2019)