



STATE OF VERMONT
GENERAL ASSEMBLY

MEMORANDUM

To: House Committee on General, Housing and Military Affairs and Senate Committee on Economic Development, Housing and General Affairs

From: Senator Brian Collamore and Representative Brian Keefe

Date: December 4, 2017

Subject: Comments Regarding the Report of the Minimum Wage and Benefits Cliff Study Committee

We appreciate the opportunity to serve on the Minimum Wage Study Committee but were unable to support the Committee's final recommendations and so are submitting this summary of our concerns. Generally speaking, more details of the following points are included, but not necessarily highlighted, in the final Report.

As part of its legislative charge, our committee spent considerable time deliberating the potential effects and impacts between and among Vermont's public benefit structure and mandatory increases in the minimum wage. Of particular concern, we studied the pernicious "benefits cliff" dilemma and found that a minimum wage increase would exacerbate the current problem.

Indeed, an unmitigated increase in the minimum wage to \$15.00 would result in cost increases of \$12.8 million to Vermont's child care sector, including net financial reductions to approximately 7,000 families with 10,800 children that are current beneficiaries of the Child Care Financial Assistance Program (CCFAP), according to data presented by Deb Brighton for the Joint Fiscal Office.

While the Committee's final report recommends utilizing available State resources to address this dilemma, we are not confident that such funds can be realized within the State's existing budget challenges. In addition, the report's recommendations would not alleviate potential negative interactions with other State and federal social transfer programs.

Moreover, a mandatory increase in the minimum wage would have direct inflationary impacts to the costs of State government, higher education, the State's Education Fund, designated agencies, specialized service agencies, nonprofits, and other non-governmental organizations. While not all of these costs could be expressly quantified due to time constraints, the impacts are real and deserve greater scrutiny by the legislative committees of jurisdiction. We would also recommend further review of "wage compression" impacts in these sectors.

Fundamentally, we are concerned about negative impacts to private sector businesses and their employees. It is clear from various testimonies that mandatory minimum wage increases can cause a decline in total jobs, reduced job hours, business closures, business relocations, price increases, profit reductions, and labor automation.

Generally speaking, these impacts are greater as minimum wage increases are accelerated. Impacts disproportionately impact certain sectors as well as regions of the State with lower prevailing wages. Regions of particular concern, in addition to our home counties of Rutland and Bennington, are regions that border the state of New Hampshire, which has a significantly lower mandated minimum wage.

Under current law, Vermont's minimum wage will increase by \$0.50 in January and thereafter annually by the percentage increase in the Consumer Price Index (CPI). Our votes against a more aggressive pace of increase were informed by this existing structure.

Sincerely,

/Brian Collamore/

Senator Brian Collamore

/Brian Keefe/

Representative Brian Keefe

Signed by Damien Leonard, Legislative Counsel, Office of Legislative Council, on behalf of Senator Collamore and Representative Keefe.

