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Memorandum

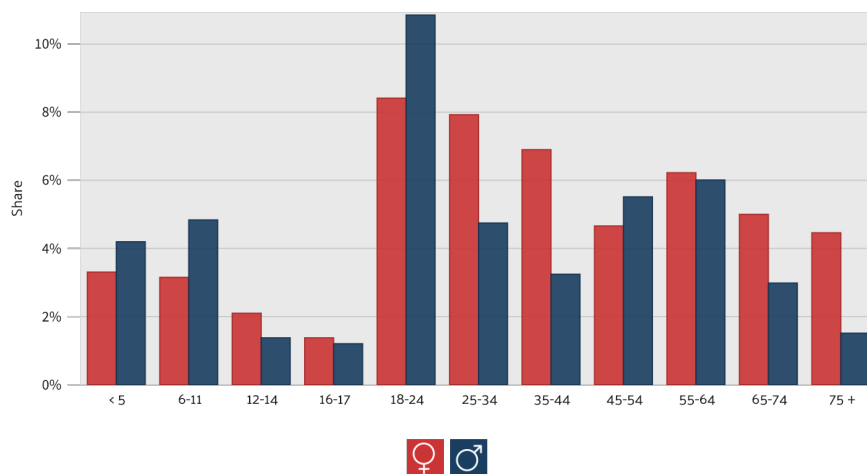
To: Senate Committee on Economic Development, Housing, and General Affairs
From: Michelle Fay, Executive Director
Date: January 24, 2019
Re: S.23 Minimum Wage

Voices for Vermont’s Children is a member of the Raise the Wage coalition, and supports the overarching goals of S.23 as introduced. We appreciate the legislature’s commitment to improving the economic security of working Vermonters at the low end of the wage scale, whose pay has been largely stagnant while the cost of living has increased. We know that every dollar that comes into a family with children improves their immediate and long-term outcomes.

Young Adults Experience the Highest Poverty Rates

The population of working Vermonters earning the minimum wage is diverse. You’ve heard testimony that the average minimum wage earner in Vermont is 38 and female, and that 45% are age 40 or older. It’s also true that young adults are overrepresented in the minimum wage workforce. Nationally, 54.6% of minimum wage workers are age 16-24, with most over age 20.¹ This coincides with the age group that experiences the highest rate of poverty – young adults 18-24. As a state, we should be concerned with the wellbeing of young adults, many of whom are parents, and not shy away from the need for new workforce participants to earn enough to meet their basic needs. Raising the minimum wage is a critical policy tool to achieve this.

Poverty by Age and Gender in Vermont - 2016²



Dataset: ACS 1-year Estimate
Source: Census Bureau

DATAUSA:

¹ <https://www.bls.gov/opub/reports/minimum-wage/2015/home.htm>

² <https://datausa.io/profile/geo/vermont/>

Student Wages

Voices objects to the expansion of the student wage from summer employment to year-round. Students from low-income families are often making a significant contribution to family income.³ In addition, a secondary-school student exemption from the minimum wage may put pressure on these students to leave school prior to graduation, and will likely have a negative impact on high school completion rates, along with attendant lifelong detrimental impacts for those students who do not complete high school. Finally, Vermont's lack of investment in higher education puts additional pressure on young people to save for and contribute to, the high cost of college or vocational training. We ask that the expansion of the student exemption from the minimum wage be removed from S.23 and that the legislature commission a study on the impacts of this policy on low-income secondary school students and their families.

Impacts on Net Family Resources to Meet Basic Needs (esp. CCFAP)

Voices applauds the legislature's attention to the problem that occurs when low wage workers' modest wage increases impact their eligibility for public benefits, creating a net decrease in household resources. Section 2 of S.23 sets a clear intent to adjust eligibility and provider reimbursement rates to mitigate the impact of a higher minimum wage, however, the qualifying phrase "to the extent funds are appropriated" effectively makes this section a thought exercise. Look at the Reach Up program for an example of what happens when good policy is not matched with language that explicitly indexes appropriations to the conditions being established in the law. Despite statutory language directing that the Reach Up benefit be adequate to provide for a decent standard of living and meet children's immediate basic needs, the passive appropriations language has allowed the benefit to fall to an appallingly low level of support. Given ongoing budget pressures, it is easy to imagine your CCFAP language following the same path. I understand that future legislatures cannot be bound, but we urge the inclusion of language that creates more accountability around the intent of S.23. One suggestion would be to add this as a specific component of the annual current services budget report required of the Department of Financial Management. This report currently includes an accounting of differences between the administration's CCFAP budget and the funding required to align the program with current market rates and the federal poverty level. Adding this reporting requirement will bring transparency to the legislature's discussion of adequate funding levels for CCFAP.

³ http://massbudget.org/report_window.php?loc=Teens,-Employment,-and-the-Minimum-Wage.html