DATE: March 7, 2019
TO: Labor and Public Employees Committee
FROM: Jeff Shaw, Senior Director of Public Policy & Advocacy, The Alliance
RE: S.B. 2, AN ACT INCREASING THE MINIMUM FAIR WAGE.

Good afternoon Senator Kushner, Representative Porter, Senator Miner, Representative Polletta and members of the Labor and Public Employees Committee:

My name is Jeff Shaw, Senior Director of Public Policy & Advocacy, of the Connecticut Community Nonprofit Alliance (The Alliance). The Alliance is the statewide advocacy organization representing nonprofits, with a membership of more than 300 community organizations and associations. Nonprofits deliver essential services to more than half a million people each year and employ almost 14% of Connecticut's workforce.

The Alliance supports the intent of S.B. 2, An Act Increasing the Minimum Fair Wage, but have concerns we respectfully ask the Committee to address in the final legislation. The legislation seeks to gradually increase the minimum wage to $15 per hour by 2023, increasing to $12.00 on January 1, 2020 and $13.50 on January 1, 2021. We ask the Committee to adopt a similar proposal to the Governor's in H.B. 7191 to provide funding for community nonprofit providers to address the impact the increase in the minimum wage will have, but caution that the proposed appropriation is not sufficient to address the issues.

As employers, nonprofits strive to compensate their employees fairly to recognize their incredible dedication and passion to caring for the most at-risk and vulnerable people - children, families, seniors and individuals with complex needs. These employees provide high quality care, give people hope, purpose and the help they need to be self-sufficient and enrich their communities. While wages vary widely by job type, organization, and state agency with which a nonprofit is contracting, nonprofits whose employees are paid below fifteen dollars per hour do so because the State does not pay enough for a higher wage. Other nonprofits have been named top work places for employee engagement and retention of staff, resulting in a turnover percentage well below the national average. Nonprofits also compete for scarce resources through philanthropy and other sources to pay their employees more than their current state contract allows.

To implement the intent of S.B. 2 successfully, contract amounts for nonprofits that provide community services on behalf of the State must be adjusted to build in protections and ensure resources are available to cover increased costs. State contracts do not automatically adjust to increases in the minimum wage and do not adjust wages for those making slightly above minimum wage.

We are also concerned that if not adequately funded wage compression, which occurs when certain wages above minimum wage are not adjusted to reflect the new minimum wage, will effectively cut off career paths for lower-wage employees. We request that any appropriation made to account for the increased costs to community nonprofit providers also take into account wage compression for people currently making above the minimum wage. Without funding to address that, those employees will go another year without a raise. The legislation should clearly provide that nonprofits with state contracts will be reimbursed for increased costs regardless of the appropriated amount.

Community nonprofits contract with the State to provide services; they cannot raise taxes or increase prices in the face of increased costs, meaning they are forced to cut services, lay-off employees or close programs if they are forced to incur increased costs without increased funding. Nonprofits recognize the increasing costs of health care, housing and transportation and that raising the standard of living will improve employee retention and reduce costs associated with turnover and with hiring new employees. Nonprofits want to provide excellent benefits for their employees, but the State needs to make sure there are reasonable ways to pay for it.

Thank you for your time and consideration.