

Burger, Kathryn (CI-StPaul)

From: Rick Varco <Rick.Varco@seiuhcmn.org>
Sent: Wednesday, October 24, 2018 11:42 AM
To: *CI-StPaul_Contact-Council
Cc: Daniel Yang (daniel.c.yang@gmail.com)
Subject: Thao Minimum Wage Amendement

City Council:

I want to clarify some confusion about the Thao minimum wage amendment as posted on Legistar and discussed last week.

Last week, CM Thao said this “does not change our target of getting to \$15”. Most importantly, when CM Jalali Nelson, specifically asked “we get there to \$15 by the same time table” and CM Thao said “this is correct”.

But these claims are not correct. Under the CM Tolbert draft, St. Paul small businesses get to \$15 on July 1, 2025, the 6th year of the 7 year phase-in. St. Paul microbusinesses get to \$15 on July 1, 2027, the 8th year of the 9 year phase-in. For each of these years, CM Thao’s amendment deletes the \$15.00 wage step and replaces it with a \$14.00 step. As a result, workers will have to wait an entire extra year to see a minimum wage that is at least \$15.00.

To be fair, CM Thao does preserve the same final year phase in wage step. But this is not \$15.00 (as inaccurately labeled on his graphs), but it is “the City Minimum Wage that applies to the City of Saint Paul”. This will be \$15.00 on July 1, 2022 and will be indexed to inflation yearly. We estimate that by on July 1, 2026, the 7th and last year of the small business phase in, the City Minimum Wage will be \$16.01. We estimate that by on July 1, 2028, the 9th and last year of the microbusiness phase in, the City Minimum Wage will be \$16.62.

As a result, if the Thao amendment seeks to avoid increasing the wage too fast in the first years, it simply moves that large jump to the final years. If our estimates above of the final City Minimum Wage are correct, under the Thao amendment, a small business will see their minimum wage jump from \$2.01 from \$14.00 on July 1, 2025 to \$16.01 on July 1, 2026. We estimate a microbusiness will see their minimum wage jump from \$2.62 from \$14.00 on July 1, 2027 to \$16.62 on July 1, 2028. Moreover, the large final year jump happens only a year after the previous step increase, whereas any initial increase goes into effect a year and a half after the passage of the ordinance.

The Thao amendment tries to prevent on the front end a major one-time jump in the minimum wage for those small businesses paying less than the state large business minimum wage of \$9.65 an hour. It is important to note that there is a limited group of workers getting paid less than \$9.65 and many of them will be exempt from the St. Paul minimum wage altogether. They may be disabled workers exempt from state and Federal minimum wage law and also exempt from the St. Paul ordinance. A large number of those making less than \$9.65 are likely youth or those in a training period as allowed under state law. Many of these will not qualify for the full St. Paul minimum wage, but only for the 85% sub-minimum wage. To prevent this small group from seeing a large increase on the front end, the Thao amendment guarantees that all small and micro businesses will face a huge increase in the final year of the phase in.

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