

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 15

STATE OF NEW JERSEY

DATED: JANUARY 28, 2019

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 15.

This bill amends and supplements the “New Jersey State Wage and Hour Law”, P.L.1966, c.113 (C.34:11-56a et seq.), to incorporate into that law the provisions of Article I, paragraph 23 of the State Constitution, and provides further increases in the minimum wage beyond what is required by the Constitution.

The bill incorporates into the minimum wage law the constitutional provision which has resulted in the increase of the minimum wage rate to \$8.85 per hour on January 1, 2019, and which increases the rate on January 1 of each subsequent year by any increase which occurs in the consumer price index for all urban wage earners and clerical workers (CPI-W) during the 12 months prior to the September 30 before that January 1. The bill also incorporates into the law the provision of the Constitution that whenever the federal minimum wage exceeds the State minimum wage, the federal minimum wage will be adopted as the State minimum wage and the increases based on increases in the CPI-W will be applied to the federal minimum wage rate.

In addition, the bill provides for certain increases in the State minimum wage greater than the increases resulting from the provisions of the Constitution. The bill provides that, except for certain workers specified by the bill, the general minimum wage rate will be increased to \$10.00 per hour on July 1, 2019, to \$11.00 per hour on January 1, 2020, followed by \$1.00 increases each year until the rate reaches a level of \$15.00 per hour in 2024.

The exceptions indicated by the bill are:

1. That for employees of any employer with less than six employees, and for seasonal employees who are not tipped employees, the minimum wage rate will be increased to \$10.30 per hour on January 1, 2020, and then increased each year from 2021 to 2025 by eighty cents, and then increased in 2026 by seventy cents so that it reaches a level of \$15.00 per hour in 2026, followed by further increases from 2027 to 2028 as needed to have these employees provided the same minimum wage rate as the general minimum wage rate in 2028.

2. That for farm laborers, the rate will be increased to \$10.30 on January 1, 2020, \$10.90 on January 1, 2022, and increased by eighty cents in 2023, and eighty cents in 2024 so that the rate will be \$12.50

on January 1, 2024, further increases may be contingent on the following: the commissioner and the Secretary of Agriculture are directed, not later than March 31, 2024, to evaluate the impact of those minimum wage increases on farm workers, farm employers, and the viability of New Jersey agriculture, and make a recommendation as to whether or not to provide the minimum wage increases for the years after 2024 pursuant to the bill, or recommend an alternative modification of the minimum wage. If the commissioner and the secretary are unable to agree on a recommendation, a public member to be appointed by the Governor with the advice and consent of the Senate would provide a third vote. The recommendation would go into effect if the Legislature approves it and enacts any needed legislation not later than June 30, 2024.

3. That employers who employ tipped workers will be entitled to credit for tips received by the worker against the hourly minimum wage rate the employers pays, as follows: from January 1, 2019 to June 30, 2019, \$6.72; after June 30, 2019 and before January 1, 2020, \$7.37; during 2020, 2021 and 2022, \$7.87; during 2023, \$8.87; and during 2024 and subsequent years, \$9.87.

4. That, commencing January 1, 2020, a training wage of not less than 90 percent of the minimum wage rate may be paid to an employee enrolled in a qualified training program. The training wage may be paid during the first 120 hours after hiring the employee for employment in an occupation in which the employee has no previous similar or related experience. The employer may not utilize employees paid the training wage in a way that contributes to any displacement of current employees or existing apprenticeship programs. The employer is required to make a good faith effort to continue to employ the employee after the training wage expires and may not hire an employee at the training wage without a reasonable expectation of subsequent regular employment.

Minimum wage increases provided by the Constitution based on CPI-W increases will continue to be applied in all cases in any year in which the increases set by the bill are less than the CPI-W increase, including all years after 2024.

The bill defines “small employer” as an employer of less than six employees, and “seasonal employment” as employment by an employer that is a seasonal employer or non-profit or government entity of an individual who is not employed by that employer outside of the period of that year commencing on May 1 and ending September 30, or employment by a governmental entity in a recreational program or service during the period commencing on May 1 and ending September 30, except that “seasonal employment” does not include employment of farm laborers. “Seasonal employer” is defined as an employer who exclusively provides its services in a continuous period of not more than ten weeks during the months of June, July, August, September, or an employer for which, during the

immediately previous calendar year, not less than two thirds of the employer's gross receipts were received in a continuous period of not more than sixteen weeks or for which not less than 75 percent of the wages paid by the employer during the immediately preceding year were paid for work performed during a single calendar quarter.

The bill creates a "Task Force on Wages and State Benefits" to evaluate how changes in minimum wage levels may affect the eligibility for a variety of State services and benefits, and how the combination of changes in minimum wage and eligibility standards may impact living standards. The task force is directed to produce annual reports, including any recommendations for adjustments in eligibility standards for the benefits, changes in benefit subsidy rates, and other relevant reforms, to ensure that the combination of minimum wage increases and State services and benefits are coordinated so as to further advance the goal of raising the living standards of working families.

The bill also directs the Commissioner of Labor and Workforce Development to issue reports in 2024 evaluating: the impact on employers and employees of the credits provided to employers for tips pursuant to the bill; and the tax credits for employers who employ individuals with impairments pursuant to the bill, including recommendations regarding the continuation of the credits.

The bill establishes a program to be administered by the commissioner to provide tax credits to employers who employ employees with impairments in order to offset the cost to the employer of any increases in the wages and payroll taxes of those employees caused by the enactment of the bill. Under the program, an employer is eligible for a refundable tax credit against the corporation business tax or the gross income tax for the cost to the employer of those increases.

FISCAL IMPACT:

The Office of Legislative Services (OLS) is unable to determine the direction and magnitude of the bill's net fiscal impact owing to uncertainty regarding the precise increase in a given year's inflation-adjusted State minimum wage and the high degree of uncertainty surrounding the responses of economic actors to the higher State minimum wage.

The findings of a considerable body of research on the economic effects of prior minimum wage increases across the country may be of limited guidance in analyzing the bill's staggered State minimum wage enhancements. This is so because prior increases tended to be relatively modest in both scale and the scope of affected employees. This bill, however, raises the State minimum wage by a significantly larger amount, thereby affecting an important segment of the State workforce.

In light of the high degree of uncertainty, the OLS fiscal estimate only identifies the often countervailing effects the bill is likely to have on State and local government revenue collections and expenditures.