

VASBO Testimony: Minimum Wage – January 24, 2018

The Vermont Association of School Business Officials has not taken a position on an increase in minimum wages, nor do we expect to. We believe this is a public policy discussion and not an education policy.

We were asked, and are happy to participate in the collection of information, to provide context to this conversation. We recognize a full statewide data collection would be impractical but the importance of this discussion warranted a representative sample collection. We realize salaries vary throughout the state and believe a minimum rate increase would affect education costs differently and therefore selected our sample to collect information from the Northeast Kingdom, Chittenden, Addison, Rutland, Lamoille and Windham County. This collection includes 6 counties and 18% of the state's equalized pupils.

There is no perfect way to predict these costs but we felt a uniform approach to the collection would yield consistent results. Our collection methodology is as follows:

We have outlined three data collection points of salaries that would be affected by this change.

1. The first data points: positions that are consistently employed or KNOWN and are currently paid between \$10.50 and \$13.61. (In late December, we were provided with the present value of a \$15.00 minimum wage in 2022 to be \$13.61. We realize this may have since been updated to \$13.50 but our collection was well underway and is based on \$13.61.) The annualized costs of these positions were raised proportionate to the current minimum wage.
2. The second data point is UNKNOWN or less predictable itinerant positions like substitutes, after school programs, summer programs etc. To estimate this cost, we used FY2017 actual costs, estimating an average cost of \$12/hour and extrapolated the number of hours we could anticipate using in the future, and calculated the costs based on \$15.35 (\$12.00 increased proportionate to minimum wage increase).
3. The final data point was the positions current paid \$1.00 OVER the present value of new minimum wage or \$14.61. We recognize that positions paid close to minimum wage are frequently adjusted as minimum wage is adjusted. Furthermore, if some positions in a bargaining unit fall within this range, the entire bargaining unit would be affected proportionately (even if the top of this unit's salary was above \$14.61).
 - a. We discussed and debated where this "line" should be and realized there is no right answer but agreed to use \$14.61 as the top hourly rate that would be affected and increased, proportionately, as minimum wage increases.

Finally we added these data points and applied a flat 10% to cover additional payroll costs, including FICA, workers compensation, unemployment and municipal or local retirement. We felt it was important to contextualize these costs according to the education funding (and taxing) formula. The estimates were calculated into per equalized pupil spending and applying FY2018 yield of \$10,160 converted into homestead tax costs. As anticipated this policy change has an uneven effect on education costs and homestead tax rates throughout the state. The lowest homestead increase is 1/3 of 1 cent with the highest increase at 3.4 cents – the average is 1.3 cents.

Respectfully Submitted,

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VASBO President