Minutes

Citizens League
Saint Paul Minimum Wage Study Committee
Thursday, May 17, 2018, 8:30 a.m.—10:30 a.m.
University of St. Thomas – McNeely Hall, Room 100
2060 Summit Ave, St Paul, MN 55105

Committee Members present: Co-Chair B Kyle, Co-Chair Rick Varco, Mr. Bob Brick, Mr. Samuel Callahan, Mr. Barry Gisser, Mr. Matt Gray, Mr. Jon Grebner, Mr. Matt Halley, Mr. Doug Hennes, Ms. Mary Hicks, Ms. Sarah Kopp-Reddy, Mr. Andrew Kopplin, Ms. Rebecca Lucero, Mr. Tim Mahoney, Ms. Veronica Mendez Moore, Ms. Kera Peterson, Mr. Sam Peterson, Ms. Pang Vang.

Members not present: Mr. Dillon Donnelly, Mr. Oscar Murcia, Ms. Analita Silva.

Staff & staff support present: Pahoua Hoffman, Angelica Klebsch, Thomas Durfee, Matt Byrne.

Citizens League members present: None.

Proposed outcomes for this meeting

- Review study committee charge and proposed goals.
- Receive community input, if any.
- Receive follow up on research questions posed last week.
- Discuss committee survey results.
- Hear from presenters on benefits cliff.
- Discuss information received and confirm additional information needed.
- Agree on next steps.

Minutes

Co-Chair Varco called the meeting to order at 8:38 a.m.

Welcome and Introductions

Co-Chair Varco welcomed members and guests and reiterated the rules with cell phone use. He explained that the co-chairs take turns leading meetings and he is running the meeting today while Co-Chair Kyle tracks comments and questions. Co-Chair Varco stated the proposed outcomes for the meeting and reminded the committee that evaluations are based on meeting these outcomes.

Co-Chair Varco asked staff to provide a brief primer on Roberts Rules of Order.

Staff explained that Roberts Rules of Order is a way of keeping meetings running smoothly and ensuring participation. They can be very formal but for Citizens League meetings they are used mostly for approving minutes, which are the formal record of the work. Staff noted that minutes are approved by “motions,” which includes a chance to propose changes. Motions are put forward by any committee member, followed by a “second” member who agrees with the motion, followed by a vote. Staff asked for any questions.

Co-Chair Varco asked for changes to the minutes. A committee member noted that on page 3 Medicare should be changed to Medicaid and business owner should be changed to nonprofit executive. Staff noted corrections. Co-Chair Varco asked for motion to approve corrected minutes. Gisser made the motion, Mahoney seconded, and the motion passed unanimously.

Co-Chair Varco reminded the committee that a community report is given at every meeting at this point. There were no comments submitted this week but staff will continue to monitor for them. Staff noted the process of comment submission: the public may access the Citizens League website, where the dedicated project page will house all documents and a comment form. Citizens League has also set up a dedicated email address and voicemail (minwage@citizensleague.org, (651) 401-2474). Staff explained that language translation was available as needed.

Co-Chair Varco referenced the minimum wage comparison grid provided to the committee. Staff explained that there was a request to hear from other minimum wage discussions and seeing comparisons in terms of rate, exemptions, and phase in times. The chart provided summarizes those differences and includes a state-by-state comparison. It is a resource document to refer to and was used in the Minneapolis process as well.

A committee member asked if the grid has been updated since the Minneapolis process. Staff replied that it was not.

Co-Chair Varco noted that last week the committee heard a presentation from Durfee. Members had questions and Durfee was here to present on a few answers.

Durfee clarified before starting that the head count exemption that Minneapolis adopted is new and his previous presentation was not meant to provide economic analysis of the policy. Durfee mentioned that the policy is easier to administer because number of employees is public data.

Durfee commented that two data sets are being used, but more will be added. First is the American Community Survey by the US Census Bureau, which randomly surveys 1 percent of the US population every year. The goal of the survey is to estimate the makeup of the population and fill the gaps in the census taken every 10 years. The survey asks more demographic and workplace questions, but it is not as detailed as other sources. Durfee added that there is a way to break down place of work versus residents that he can provide next week.

Resident Population in 2016:

- Minnesota: 5,451,000
- Metro Area: 3,551,000
- Ramsey County: 548,000
- St Paul City: 297,000

Durfee said the second source is the Current Population Survey (CPS), which is conducted by the US Census Bureau and the Bureau of Labor Statistics. It surveys around 60,000 households every month. He explained that the survey has more detailed questions because the purpose is to see what the workforce looks like, where income comes from, where it is earned, and number of hours worked. It doesn't include people under 16, active military, those in corrections, long term care facility inhabitants, or homeless people.

Durfee added that the committee shouldn't read too closely into differences between the two years because there is not enough data for a trend.

Hourly Wages (non-salary workers)

Year	Area	Average	25%	50%	75%
2015	Ramsey County	$15.68	$10.00	$13.00	$17.50
	Hennepin County	$16.61	$10.00	$13.50	$19.00
2016	Ramsey County	$16.88	$12.00	$14.50	$20.00
	Hennepin County	$18.52	$10.40	$15.00	$21.25

Weekly Earnings (non-salary workers)

Year	Area	Average	25%	50%	75%
2015	Ramsey County	$567	$380	$480	$688
	Hennepin County	$611	$300	$480	$769
2016	Ramsey County	$650	$450	$570	$858
	Hennepin County	$712	$300	$600	$887

Co-Chair Varco asked what percentage of workers are salaried. Durfee responded around half and that salary workers tend to make more money, especially in Hennepin County. A committee member asked if it was surprising for average wages to jump so much year to year. Durfee responded that he wouldn't read too far into it because wages can be volatile over such a short period of time.

A committee member asked when 2017 data will be available to see if it's a trend. Durfee responded that the first quarter of 2017 is available at the Bureau of Labor Statistics, so about another year. He added that larger geographic data is available earlier, but if the interest is in county level data it can take longer.

Staff added that a printed copy of Durfee's presentation will be available next week.

A committee member noted that 25 percent of the population is making less than $15 an hour according to previous slide. Durfee added that in Minneapolis, an estimated 72,000 people are impacted, which is a comparable ratio. Co-Chair Kyle asked what the 25 percent referred to. Durfee responded it was bottom quarter of hourly wage earners.

A committee member asked if it was possible to use the combination of sources from the first and second slide to get to average hours worked per week. Durfee responded that it was not too difficult. Durfee noted that he would have to take into consideration those who both earn more and work more hours per week than average.

Durfee discussed that the Department of Employment and Economic Development (DEED) uses firm level data that Durfee doesn't have access to. According to that data, Saint Paul has a 3.2 percent unemployment rate. Durfee added the Labor Force Participation Rate (LFP) includes those looking for a job and those who have a job divided by those looking for a job, have a job, and those not looking for a job. Minnesota has a 70 percent LFP. Durfee noted that it was worth considering if a higher wage would bring more people into looking for a job.

A committee member asked what the average threshold for full employment was. Durfee responded that there is debate about what counts as full employment, and it is especially tricky coming from a recession. However, usually some unemployment is okay and 4 percent is close to full capacity.

Durfee noted some ongoing questions and said he can't tell the difference between tips and rental income as they are both recorded as "other nonwage income." However, paystub compared to all other sources of income is doable. National estimates suggest tips equal 10 percent of sales. Durfee commented he will have estimates next week.

Durfee mentioned that including salaried workers is possible but may not be valuable. He also noted that unemployment doesn't count those not looking for work and it is worth considering if the minimum wage increase would motivate more people to look for work that weren't before.

Durfee commented that the rest of the slides that are going to be available include a glossary of terminology and that he was happy to answer any questions.

Co-Chair Varco began discussion on the survey that was sent out by Citizens League staff on the goals of the minimum wage. Staff summarized feedback and distributed copies of the summary. Staff thanked members for participating in the survey and noted that the full results are available around the room. Staff asked what stood out.

A committee member commented that they were struck by the tone of some responses. They seem to be framing the minimum wage question as balancing the right thing to do with business owners' needs as though we may not have enough to do the right thing for everyone. The member questioned if that is the best way to think about it. We could agree that it is the right thing and instead ask how we are going to do it. We are in a great city with a lot of resources, we can do this. The member added that they hate the idea that it is me versus them. Co-Chair Kyle asked what the member thought. Staff noted the question for future consideration to manage time.

A committee member said considering how much it costs to run a successful and profitable business, it can't be done without the workers. They wondered how an employer could look at their workers and think that this is all they deserve.

A committee member commented that data is missing in this story. For example, one survey response noted the comparative transparency of how much people make. There is an average pay ratio of 339 to 1 between a CEO and an hourly employee. The member said they want to focus back on values and the history of the minimum wage. The whole point was children and others working crazy amounts of hours to survive.

A committee member said their salary is available publicly. The member noted that committee members are all over the board, which is why this group exists. A committee member added that this is positive.

A committee member was fascinated by whether there should be exemptions.

A committee member commented that the conversation should be broader than exemptions. Exemptions seem to frame the issue as not having to pay. It could be variable pay structures depending on the sectors. A survey comment raised a good point about state contracts having a ceiling.

Co-Chair Varco said he was surprised by the radical difference between the general 10,000 foot concerns, which are easy to imagine having conversation around compared to very specific concerns. He said it was important to not confuse the scope of the questions because they are very different kinds of comments.

A committee member commented that they were surprised by how many ways to measure came up, like school performance. They added that they don't think the committee is all over the map, as we are all concerned about community and goals.

A committee member said they were surprised someone wrote $15 is too high and unfair to small businesses and employers, but they are not surprised that feeling exists. The member commented that with as many weeks as the committee has left with more information, we should wait to decide that. Staff added that the survey is a good base perspective, and asked if anything has shifted the needle in member's opinions.

A committee member said considering how much wage theft occurs, enforcement is a missing component of measuring ordinance success.

Staff responded to a survey comment about missing research on positive impacts of minimum wage increases and noted that the committee is in its early stages and that if members know research to introduce to start directing staff now.

Co-Chair Kyle commented that tracking business closures could ease fear of consequences.

Co-Chair Varco noted a new member and let them introduce themselves.

A committee member introduced themselves and said they have worked for the Regional Labor Federation in St. Paul for 13 years, which represents more than 100 local unions and 50,000 union members in the four county metro area.

Co-Chair Varco introduced and thanked presenter Stephanie Hogenson from the Children's Defense Fund (CDF). Hogenson is presenting on public benefits as they relate to the minimum wage.

Hogenson thanked the committee and asked to consider her a resource. She said that the CDF has lobbied on behalf of children and families for 40 years in health care, early education, child care, child wellbeing, and economic security. She said it was important to look at research regarding improving wages because children do better with higher income families in social, emotional, and health outcomes.

Hogenson described the Bridge to Benefits program as a website that connects families to benefit programs and aids in navigation. Programs include health care (Medical Assistance, MinnesotaCare, and Advanced Premium Tax Credits [APTC]), Supplemental Nutrition Assistance Program (SNAP), School Meal Program, Energy Assistance Program, Child Care Assistance Program, Women, Infants, and Children (WIC) Program, and tax credits (Earned Income Tax Credit and Working Families Credit).

Hogenson explained that eligibility for these programs is income based. As income goes up, benefits go down, and they cease at certain levels. These levels vary by program and are administered by different agencies. She noted that it is easy to overlook that programs interact within themselves.

Hogenson described the Economic Stability Indicator (ESI) as a tool CDF provides that helps families plan around eligibilities. The ESI demonstrates how these interactions are happening and can be used to educate on how proposed policy changes can create unintended consequences. She noted that it is a public tool to play with, but to be careful in interpreting the results. CDL provides additional analysis at request and can change program guidelines and eligibility in the ESI tool.

Programs included in the ESI are: Supplemental Nutrition Assistance Program (SNAP), Medical Assistance, MinnesotaCare and APTC, School Meal Program, Child Care Assistance, Energy Assistance, WIC, Earned Income Tax Credit, Working Family Credit, Child Tax Credit, Federal and State Child Care Tax Credits, Minnesota Family Investment Program (MFIP), and Section 8 Housing.

Expenses included in ESI are a very bare bones Basic Needs Budget: rent and energy (HUD Fair Market Rent), food (USDA Low-cost Food Budget), health care (Medical Expenditure Panel Survey), child care (Kids COUNT Data Book by county), transportation (National Travel Household Survey), and other necessities (Consumer Expenditure Survey). Important to note that the following expenses are not included: utilities besides electricity, diapers and formula, entertainment, vacations, debt payments, school expenses, and child care for school-age children.

Hogenson explained that the "cliff effect" is when income increases lead to a family being worse off. It is not only bottom line for families, but also what it means to lose health care when you have health needs. It could be worth more money than a few hundred dollars more per month.

Wage increases are important to consider in a broader context. She added that influx of cash can promote work, good health, and education outcomes. Recent research shows recipients of these credits earn more college degrees.

Hogenson added that programs don't always work as intended due to lack of funding and some waits could be as long as 2-3 years. Further, not all eligible families access the benefits due to lack of awareness.

Hogenson described key takeaways from ESI analysis of a $15/hour minimum wage based on Ramsey County. She said that single adults without children are always better off with an increase, particularly with MinnesotaCare, which she noted is up for debate at the legislature. Overall, families are better off, but it is a more marginal improvement. A single mother working full time with two children would have a marginal increase of $100 per month after benefits are calculated.

Hogenson added that when considering phase-ins the committee should consider that some wage levels are hit harder by the cliff effect. She reiterated that at $15/hour families are better off.

Co-Chair Kyle asked what better off means. Hogenson replied it means what's left over at the end of the month is more. Hogenson proceeded to demonstrate the Economic Stability Indicator.

Co-Chair Varco asked about the relationship between qualifying and being enrolled in Minnesota Family Investment Program (MFIP) and getting to the head of a waitlist for childcare. Hogenson responded that there are three different childcare programs in Minnesota. One is MFIP, which is fully funded and if you qualify, you get the benefit without a waitlist. To qualify families have to be enrolled in MFIP. She noted that 1/3 of children in poverty are enrolled, not even the majority. Families have to meet work requirements. Once families exit MFIP due to making more, opting out, or 5-year time limit, they get what is called Transition Your Child Care where they can stay on without hitting the waitlist. The third is a basic sliding fee waitlist, which is not fully funded.

Hogenson commented that an increase to $15/hour puts a family at 150 percent of poverty guidelines. Some costs go up due to loss of eligibility. Fully enrolled, they have $125 left over at the end of the month, which is $100 more than at $9.50/hour. The extra $100 goes to real necessities. Reducing the few benefits that are often not accessed for a variety of reasons leaves the family still $610 dollars in the hole.

Staff noted that the MinnPost article in the packets has a link to this tool. Hogenson said to feel free to reach out for questions and that she can provide multiple scenarios to look through.

A committee member asked about the increase in cost of goods that can result, as it seems to have in Seattle, and whether that is included in the ESI. The member also asked how the increase to $15 impacts benefits and whether there is a line where it is worth it to a person to not work more. Hogenson responded that ESI just looks at family scenarios, not funding. The majority of these programs have federal funding and some have state level matches, which is different than medical assistance where there is a fee for service. If you are eligible, you don't pay anything, so it depends on the program. Hogenson added that in Seattle there was an issue with reimbursement rates and childcare providers. She noted that there is current legislation being debated to increase reimbursement rates because currently they are at 25 percent of the 2011 market rate. Co-Chair Varco clarified that this is not a benefits cliff issue, this is about increases in the labor cost of these programs.

A committee member asked how many families are on these programs. Hogenson responded that CDF has data that they can compile for Ramsey County. She added that statewide, 1 in 5 families use SNAP and 1 in 3 use medical assistance, including for nearly half of births.

A committee member commented that in the personal care assistant world, 100 percent are on Medical Assistance (MA). This conversation is important to make sure MA eligibility isn't lost in tradeoffs. The member added that employees know exactly where the cliff is. Staff added that they will get the data on St. Paul next week.

Hogenson added to her response to the comment prior, saying that in her experience the choices are not about whether to work, they are about "What is best for my family?" She said the stereotype of not feeling like working was very rarely the reality.

A committee member asked at what hourly rate federal benefits go away. Hogenson replied that it changes by program and there is no consistency, but that she will provide a chart.

Durfee asked if the tool can be used see changes in housing (for example, going from a two bedroom dwelling to a three bedroom dwelling). Hogenson replied that with Section 8, it is reported by bedroom, but you can edit the rent expense and there is a rent chart. Durfee asked if you could use the tool to incorporate different kinds of debt. Hogenson responded that when editing expenses, you can put debt in the *other* category. Durfee clarified that this would have to be done monthly and would change how much money is left over.

A committee member asked about indexing and how that affects stability for families. Hogenson responded that it's important because research shows increasing family incomes improves child outcomes. She added that ESI can be used to evaluate different minimum wage numbers, as some numbers between $9.50 and $15 have greater cliff effects. The political environment at the time CDF was advocating for minimum wage increases was different than it is in Saint Paul now. Indexing to inflation is important because every year costs go up and many low wage workers don't get yearly raises like salaried workers often do.

Co-Chair Varco commented that ESI seems to look like the impact on a specific family and wondered if it is the case that even if an individual family may not see a dramatic improvement, when they are no longer taking some services, another family may have better access to those services. Co-Chair Varco added that $15/hour minimum wage could have ripple effects as an indirect benefit. Hogenson responded the $100 dollar/month increase alone is worth it and the ripple effect is real. Co-Chair Varco asked what tool captures the indirect benefits. Hogenson replied that she was not sure at this point.

A committee member asked about the hourly wage needed to meet family expenses without any support. Hogenson responded that living wage is different than bare bones budgeting, which is used in ESI. It does depend on the family. Hogenson provided a net resources line graph that demonstrates a break-even point with income and with/without tax credits.

Durfee clarified that tax credits are based on a generic month. Hogenson added that CDL divides the yearly number over months and added that in her experience that money goes away quickly by paying past bills and repairs. However, there is influx in the economy and low income wages go directly into the economy.

A committee member commented that it sounded like programs are not keeping up with current needs (for example, benefits with waiting lists). At the same time, there is a diminishing purchasing power with minimum wage. The member asked how long this has been happening and what impact that has had on economic growth. Hogenson replied that one thing about medical reimbursement rates is that they don't impact benefits–they affect access. Lower reimbursement rates mean that fewer providers will accept the programs. Child care assistance providers can ask families to pay the difference, but families will find it difficult to pay. Further, these eligibility guidelines are tied to poverty levels created in 1960 based on a food budget that was 1/3 of a family's income at the time; food is now 1/7th of a family's budget. Every aspect of these programs and wages is not keeping up. Anything we can do to modify that is going to benefit the families.

Co-Chair Varco thanked Hogenson and noted that next week the committee will be hearing from Minneapolis staff about their ordinance and process. He asked for evaluations based on the meeting outcomes set at the beginning of the meeting.

Members scored: 4.5, 4, 4, 5, 4, 5, 5, 5, 3, 5, 4, 4, 5, 4.5, 4, 4, 4, 4. Average score: 4.3

The meeting adjourned at 10:26 a.m.