



## MINUTES

Citizens League

Saint Paul Minimum Wage Study Committee

Thursday, May 31<sup>st</sup> 8:30am-10:30am

University of St. Thomas, O'Shaughnessy Library

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. Dillon Donnelly, Mr. Paris Dunning, Mr. Barry Gisser, Mr. Matt Gray, Mr. Jon Grebner, Mr. Matt Halley, Mr. Doug Hennes, Mr. Andrew Kopplin, Ms. Rebecca Lucero, Mr. Tim Mahoney, Mr. Oscar Murcia, Ms. Kera Peterson, Mr. Sam Peterson

**Members Not Present:** Ms. Mary Hicks, Ms. Sarah Kopp-Reddy, Ms. Veronica Mendez Moore, Ms. Pang Vang.

**Staff & Staff Support Present:** Pahoua Hoffman, Angelica Klebsch, Thomas Durfee, Matt Byrne, Snowden Stieber, Dr. Samuel Myers, Man Tzu, Yufeng Lai

**Citizens League Members:** None

**Community and Observers:** Lyly Vang-Yang, Melanie McMahan, Owyn Ferguson, Shannon Watson, Natalia Madryga, Celeste Robinson, Yingya Vang, Jennifer Schellenberg, Elizabeth Dickinson

### Proposed outcomes for this meeting

- Review study committee charge and proposed goals
- Receive community input
- Receive follow up on research questions posed last week
- Hear from Citizens League presenters on brief historical overview of minimum wage laws, Phase I Study, and survey questions/requests for further meeting topics
- Discuss information received and confirm additional information needed
- Agree on next steps

### WELCOME

Co-Chair Varco called the meeting to order at 8:32 a.m. and welcomed committee members and guests. He reminded them to silence their cell phones and stay off social media. Co-Chair Varco then reviewed the proposed outcomes for the meeting and the charge of the study

committee. He noted there would be time at the end of the meeting to review the committee charge and scope more thoroughly.

Co-Chair Varco gave the committee members time to review minutes from last week's meeting. He asked if there are any proposed amendments or changes. With no changes offered there was a motion to approve the minutes which was seconded and the motion passed.

A committee member briefly reviewed the history of the O'Shaughnessy Library. Co-Chair Varco extended thanks to the University of St. Thomas for hosting the committee.

## **COMMUNITY REPORT**

The committee reviewed the Community Report including 5 submissions. A submission was made in support of a gradual increase to the minimum wage with tip credits for the restaurant industry. A submission stated support for the minimum wage increase but with exemptions for youth training employers. A submission asked to include an exemption for the St. Paul Saints. A submission noted the effect of Minneapolis's wage increase on a family member who requires 24-hour personal care. Finally, a submission supported a \$15 minimum wage with no tip penalty. Co-Chair Varco gave the committee time to review the submissions.

A committee member asked for more information about the situation with the St. Paul Saints. Co-Chair Varco stated that he was present at the state legislature when the Saints asked that all minor league baseball be exempt from the \$9.65 state minimum wage. The proposed bill did not pass. Co-Chair Varco said that he did not hear the Saints say that they would close or move, but that the team was constrained by a salary cap. Co-Chair Varco noted that the Saints would probably be happy to inform the committee about its situation and related issues.

Mr. Durfee clarified that a 90-day exemption for the state minimum wage already exists for youth undergoing training. A committee member added that the exemption was also in the Minneapolis wage ordinance. Mr. Durfee said there is some research on the impact of exemptions, primarily in relation to workers at universities.

A committee member mentioned that there should be a distinction between paying youth in a training program and paying young people doing traditional work.

Co-Chair Kyle asked how the committee could learn more about the potential impacts to the St. Paul Saints and how the wage relates to youth in training programs. A Citizens League staff member responded that these issues would be good to discuss in a future committee meeting that will focus on exemptions. The staff member promised to work on including as much of this conversation as the Citizens League prepares for that meeting.

A committee member stated that some of the community report comments reminded them of an issue brought up by Mr. Schneider in his presentation at last week's meeting. Mr. Schneider said that he and his staff collected a lot of important data and gave it to the policymakers, but that the policymakers didn't necessarily look at the data when they made the policy. The committee member stated that this seemed particularly true when looking at minimum wage for entry-level workers, youth employment, and home healthcare workers. The member told the committee that the Independent League was established in a way where St. Paul could not take advantage of revenue sources, and the League will not make an exemption for the Saints, and then the team might have to leave, which is a consequence that must be contemplated. The committee member said it seemed like the policymakers weren't really paying attention to the

data, they were paying attention to their agenda, and that the Study Committee has a responsibility to make sure St. Paul policymakers pay attention to the data, and not their personal agendas.

Another committee member reminded the group that there are many young people who are working to support their family, that it wasn't just young people earning pocket money.

A committee member asked the group to refrain from making attacks on people who are not in this room, whether they be policymakers or otherwise. The suggestion that some people might be focused on their agenda and not on the data is unfair to folks who are not here.

A committee member mentioned that there were no representatives from the Saints in the room, and the member suggested the committee reach out to the Saints for comment.

Co-chair Varco reminded the committee that the Community Report was about hearing from the public, and that committee members should weigh the comments in whatever manner the member feels appropriate.

Mr. Durfee introduced members of the Roy Wilkins Center research group who were in attendance: Dr. Samuel Myers, Yufeng Lai, and Man Tzu. Dr. Myers was the principal investigator for the Minneapolis minimum wage effort, and each of the researchers present was involved in Minneapolis's efforts.

Mr. Durfee reported back to the committee on his continuing research over the past week. He examined the issue of price sensitivity in Minneapolis after the minimum wage was implemented. Mr. Durfee ran some simulations based on how much of a firm's costs were related to labor. The results of the simulation showed an estimated 5.4% increase in total cost for the restaurant industry as a response to changes in payroll. Mr. Durfee also looked at a simulation from Berkeley showing full-service restaurants' menu prices changing a little bit, and that partial-service restaurants' prices changed more. He told the committee that the simulations were based on reported data from employees in the industries, not on data from restaurants.

Co-Chair Kyle asked Mr. Durfee if he had information on other industries besides restaurants. Mr. Durfee said he had the information, and that he could report back to the committee on those simulations.

A committee member said that they have data on wages in the non-profit sector, and that they would relay the data on to Mr. Durfee for his research.

Mr. Durfee told the committee that the data for the Minneapolis simulation study was from the American Community Survey conducted by the U.S. Census, where workers identified their employer and what industry they worked in.

Co-Chair Kyle asked staff if we could include data at future committee meetings that, instead of from the census, came from the employer's perspective, whether it be a manufacturer or a restaurant owner. Mr. Durfee said that he had begun to look at data from Greater MSP, which included data from the Bureau of Labor Statistics and from the Wilder Foundation, and that he planned on reaching out and gathering more data from those sources.

Co-Chair Varco pointed out to the committee that they had each received a copy of a follow-up email from Stephanie Hoegenson at the Children's Defense Fund with data from Ramsey

County. The data suggested there were about 4,000 adults and 8,000 children in Ramsey County that might be impacted by the benefits cliff issue.

## **PRESENTATIONS**

CL Intern/Researcher Snowden Stieber presented slides on the history of the minimum wage law in Minnesota, copies of which were given to all committee members in their informational packet.

He stated that he had received questions from the committee through previous surveys related to the history of the minimum wage and trends in the minimum wage. Mr. Stieber clarified that he is not an economist, and that his research was focused on the law and on history. In looking at the history of the minimum wage law in Minnesota, Mr. Stieber stated that it is clear that many of the conversations happening in this committee have been happening since the 1920s.

Minnesota first attempted to pass a minimum wage law in 1913, creating a Minimum Wage Commission, which only applied to women and children. The first minimum wage was \$8.50 per week, which is equivalent to about \$210 in 2018. The minimum wage faced an immediate legal challenge, and was overturned. The judge believed the minimum wage law to be unconstitutional and economically infeasible. In 1923, the United States Supreme Court held that all minimum wage laws were unconstitutional, but later changed their stance after thinly-veiled threats made by FDR to pack the Supreme Court with additional justices more amenable to the legislation.

Mr. Stieber highlighted that the federal Fair Labor Standards Act of 1938 was the model for the state of Minnesota's own legislation several decades later, with one major distinction—the federal law allows for a tip credit, while Minnesota law does not. Meanwhile, in Minnesota, Governor Olson signed an executive order in 1931 which instituted a minimum wage for the state of 45 cents per hour, which is equivalent to more than \$11 per hour in 2018. In 1973, the state legislature passed the Minnesota Fair Labor Standards Act, enshrining a new minimum wage of \$1.80 per hour (~\$10.15 per hour in 2018).

A committee member asked if there was a tip penalty in the 1970s prior to the legislation. Mr. Stieber said he did not believe so, but was not sure. He stated that, since the prior minimum wage had been so low, it is not likely that the credit/penalty had even been contemplated, but when the new FLSA legislation was passed, it was concretely not included. A committee member corrected Mr. Stieber, stating that the tip credit was originally included, but was removed in 1984.

Mr. Stieber briefly reviewed the concept of tip credits/penalties, summarizing why supporters choose to describe it as a credit, and why detractors choose to describe it as a penalty.

Dr. Myers asked Mr. Stieber to investigate an answer to the question “Can the City of St. Paul institute something that is not legal in the state of Minnesota?” Mr. Stieber said that the answer is “legally gray,” and that he will further research and report back to the committee about the relationship between cities and the state government as it relates to preemption. He broadly stated, though, that preemption is a serious concern for any city initiative.

Dr. Myers stated that the Wilkins researchers have been tasked with researching potential economic impacts of a tip credit for St. Paul. He reported to the committee that the publicly available data does not include any information related to tip credits, which would make further

research extremely expensive and difficult. If the legal answer prevents a tip credit, however, the researchers can spend their time on something else.

Co-Chair Varco clarified that the question facing the committee is, if St. Paul's ordinance treats tips differently than the state law, is it more vulnerable to a preemption charge, and is the same true for other differences as well? Co-Chair Kyle asked Mr. Stieber to research whether the absence of comment from the state government on the matter is different from an outright prohibition on cities' efforts. She analogized to speed limits, where a city could issue a tighter speed limit, but cannot have a higher limit than the state law.

Mr. Stieber stated that there is a political element to local laws, that a state government more amenable to a city's legislation might be less likely to issue a preemption challenge. He promised to report back to the committee with more information.

A committee member commented that it seemed strange to them that, in a metropolitan area called the Twin Cities, that workers in Minneapolis would be treated differently from those in St. Paul. They cannot understand why, given the current disparity, everyone in St. Paul hasn't moved over to Minneapolis to work. Mr. Stieber agreed that, even though it is just a political distinction between the two cities, many workers distinctly feel the difference.

A staff member informed the committee that the Citizens League is in the process of putting together two different panels on the issue of tip credits/penalties, one panel in support of tip credits, and one panel opposed to the tip penalty.

A committee member asked Mr. Stieber about the attempt at an injunction in Minneapolis last year, and whether the fact that the judge denied the injunction essentially states that a city has the capacity to establish its own minimum wage. Mr. Stieber stated that, while another judge might find that decision to be persuasive, it is not certain that all judges in other jurisdictions would treat another ordinance in the same way.

Mr. Stieber covered some basic facts about the modern minimum wage: who is impacted by the law and what we know about the demographics of minimum wage workers. MN Dept of Labor & Industry reports show 15% of hourly wage workers in Minnesota were paid the effective minimum wage, or less. A larger percentage of nonmetropolitan workers are paid the minimum wage than metropolitan workers. The average age and education level of minimum wage workers has increased in the past few decades. Roughly two-thirds of minimum wage workers are in service occupations, and half of all minimum wage workers are in food-related occupations. 2018 is the first year where the Minnesota minimum wage is indexed to inflation.

Mr. Stieber stated that there is little-to-no consensus among economists about the impact of a minimum wage increase on employment, and there is little consensus among economists on whether an increase would have a stimulatory effect on the broader economy. Mr. Stieber stated that there are economists on both sides of all of these issues.

In closing, Mr. Stieber shared a slide with results from a University of Chicago survey of economists on whether the distortionary effects of a minimum wage increase were outweighed by the benefits accrued to the individual worker who would see an increase in income. Mr. Stieber stated that while 43% of the economists thought the benefits outweighed the costs, that meant more than 50% of economists were uncertain or thought negatively.

A committee member stated that they read the survey results differently. They stated that, in their interpretation of the results, they see that 47% of economists agree that the minimum wage increase is a net benefit, while another 34% are uncertain on the measure, and the number of economists who disagree with the proposition is “remarkably low.” The member thinks the best way to summarize the results is that a “vast plurality” of those surveyed agreed with increasing the minimum wage, that about a third of economists were uncertain on the measure, and that not even 15% of economists registered disagreement.

Mr. Durfee clarified that “distortionary effects” is a blanket term for responses to minimum wage increases including: increases in prices, restaurants shutting down, migration, etc. A committee member added that “it’s like a negative impact.” The committee member stated that they thought the last slide was a very compelling slide.

Mr. Stieber said if any committee member has any further questions or comments or requests for research, he would be happy to talk to them.

Pahoua Hoffman presented a survey of the results of Phase One. Each of the committee members has a copy of the findings from Phase One in their binders. Mr. Durfee’s demographic research is included in the Scoping Work. One of the primary purposes of the scoping was the Citizens League wanted to be clear on what the questions and concerns of community members and stakeholders were around the minimum wage increase. In the process of putting together Phase One, Ms. Hoffman interviewed over 200 people. She compiled the questions that those people wished for the Study Committee to address, and they are found in the Phase One report. Ms. Hoffman noted that, in fact, some of those voices are members of the Committee.

Each section of the Community Input are formatted the same. Each section includes Key Questions that the group had raised and wished for the Study Committee to address. Ms. Hoffman stated that as the committee moved forward in the following weeks, it is likely that they would be hearing from some of the people included in these reports. She also stated that, after compiling a particular section of voices, she shared the reports with the people to ensure that she was accurately reflecting their views, and allowed them to edit the language she used.

Ms. Hoffman said that employers of people with disabilities, franchisees, small and microbusiness owners, home healthcare, and large employers were included in the report. Most of the large employers were already paying their employees at least \$15 per hour, but they were concerned with wage compression and possible impacts to their vendors. Ms. Hoffman was able to hear from low-wage workers and engaged in several listening sessions with them and their advocates. She also pointed out that there had been some misquoting of the statistic stating 40% of St. Paul lives in poverty. To clarify, the statistic mentioned on page 19 of the report states that 40% of residents earn less than 185% of the federal poverty level. At 100% of the federal poverty line, the number is 22.3% of residents. Ms. Hoffman asked the Metropolitan Council why they used the 185% threshold, and they said it captures more of the working poor and those who are eligible for certain government programs than the 100% definition does.

A committee member asked if the 185% threshold is the same as the level for eligibility for SNAP benefits. Staff responded that they will confirm if this is the case.

Ms. Hoffman distinguished between the treatment of workers at the University of Minnesota, who follow state wage laws, and workers at private institutions like St. Thomas, who are covered by city laws.

Co-Chair Varco asked if students who are covered by the federal work-study funding would be included. A committee member said that, for the school they represent, work-study covers about 20-25% of the payment to students. Co-Chair Varco asked if that meant that students who received work-study would be paid less than other student employees. The committee member said that the school was already giving a range of wages to students to more fairly reflect the work that they did and ensure relatively equal treatment.

Ms. Hoffman said that the issue of tip credits/penalties was where there was more “back and forth” between the sides than any other topic, and that she worked hard to ensure that all of their concerns and voices were reflected in the Phase One report.

Businesses with youth training wages were also included in the report. Everyone that Ms. Hoffman interviewed for the Phase One report is listed on page 31. She pointed out to the committee that Mr. Durfee’s extensive demographic research on St. Paul is also included in the report, as well as research on how many people commute either into or out of the city.

A committee member asked if the committee was able to think outside the box about issues like exemptions, or if the committee was more concerned with offering a yea/nay to each issue. A staff member said that the committee will review the scope of its work at the end of the meeting, and that there will be a future meeting focused on exemptions and what kind of exemptions were possible. Ms. Hoffman said that the committee was allowed to consider other options besides the one included in the Phase One report.

A committee member asked about the data used in the report, and in particular what number of people in St. Paul earn a low wage. Mr. Durfee said that there were 8,270 people who lived and worked in St. Paul who had monthly earnings of \$1250 or less.

A committee member asked if Ms. Hoffman could estimate the numbers in attendance at her listening sessions related to the tip credit/penalty. Ms. Hoffman said that about 75 to 80 people attended the pro-tip credit listening session, and it was primarily front-of-house restaurant workers, with a few restaurant owners. At the no-tip credit listening session, she heard from about the same number of people, and it was primarily restaurant workers. She said that there wasn’t too much of a demographic difference. Ms. Hoffman said that, from her perspective, restaurant workers who are against the tip-penalty did not feel as comfortable saying so publicly, which is why there was not a publicized listening session.

A committee member said that when they protested with CTUL, they were told by their employers that if they marched for the \$15 wage they would be terminated from their job. They added that it was a form of threatened retaliation.

Co-Chair Varco asked Ms. Hoffman if she had talked to large employers that had locations in both Minneapolis and St. Paul whether they were interested in having similar laws in both cities, or if they recognized that each city might need different treatment. Ms. Hoffman said that she talked to several restaurant chains that had business in both cities, and some of the owners told her that they wanted to have the same laws in both cities because the logistics of compliance with two sets of laws would be too difficult. She heard from other employers that wanted St.

Paul to be different, and more in line with their perspective, which would give them the leverage to go back to Minneapolis and ask for them to repeal their wage law.

A committee member stated that, while the scope of the research was impressive, the committee has a limited time window to address the issues, and they wondered if there were legal limitations to what St. Paul could do. They said knowing the limitations would help the committee focus their work. A Citizens League staff member responded that they are collecting these kinds of questions from members, and that they will be sure to have a presentation in the future answering these legal questions.

A committee member asked Ms. Hoffman if she differentiated the voices from restaurants as full-service, counter-service, and fast food establishments. She responded that the Scoping Work focused on full-service restaurants, since most of the workers who came forward worked in full-service spaces. The committee member asked if Ms. Hoffman heard from back-of-the-house employees. Ms. Hoffman replied that she wanted to hear from those voices, but not many came forward. The committee member added that they had attended an event last fall that was primarily composed of back-of-the-house employees, and that they had stated their wages had become stagnant. Ms. Hoffman said that she had not heard those concerns, but that that did not mean they weren't out there. She added that it was likely that many back-of-house employees were uncomfortable coming to a public listening session, which would have impacted her ability to hear from those people.

Another committee member stated that they live in North Minneapolis and work in St. Paul. While they love working in St. Paul, they wondered if they are a fool for doing so, since they would make more in Minneapolis. They added that they aren't sure some committee members are aware of how difficult it is for a person to work two full-time jobs. If they were to get a job in Minneapolis, they could work only one job and have more time to spend with their family.

Ms. Hoffman said that low-wage workers had wanted to talk to her more than every group other than restaurant servers. She said low-wage workers knew the minimum wage had not kept up with cost of living, and that the wage increase was only one part of what they needed, and that \$15 is probably not even enough, but it is a step in the right direction. The lack of affordable housing, healthcare costs, and inefficient public transit were also concerns of low-wage workers.

Ms. Hoffman closed by reminding the committee of the number of hours that these various voices had contributed to the Scoping Work, and that all of that time had been invested with the hope that the Study Committee would consider them and let the voices inform their recommendation to the City of St. Paul.

## **STAFF REPORTS**

A committee member referenced the DEED report on job vacancies that had been included in every member's packet. The report stated that there were 75,000 job vacancies where the median wage being offered was below the \$15 wage. Mr. Durfee defined "job vacancies" for the committee. The committee member asked if there was any data on recent change in vacancies, and if the minimum wage increase had any impact on vacancies and on the median wage. Mr. Durfee said that vacancies are converging on a 1:1 ratio, and that wages have remained relatively low. The DEED report in question breaks the vacancies down into quadrants, but Mr. Durfee does not know of more detailed information. He told the committee he would research the matter, and see if DEED can share their information.



Co-Chair Varco asked Mr. Durfee to see if he could find a breakdown in vacancy rates for Minneapolis and St. Paul in particular, and if there had been any change after the minimum wage had increased. Mr. Durfee said he would look into it.

A committee member said that they had questions about the impact on aggregate demand for jobs, and wondered if there was data on potential job creation with a higher minimum wage.

Another committee member said they felt it was important for the committee to consider the broader context of the economy and jobs. From the member's perspective, there is a shortage of labor that should inform how the wage ordinance is shaped.

A Citizens League staff member presented answers to several questions submitted by committee members. There is going to be a public listening session at Arlington Hills Community Center on June 7<sup>th</sup> from 5:30 to 8:30. The staff member identified members of the Mayor's and St. Paul City Councilmembers' offices that were in attendance. While the City Council and Mayor have probably heard a lot of feedback through informal channels, they are relying on the feedback and comments collected by this Study Committee to help inform the ordinance.

Ms. Hoffman gave a brief overview of the format of the listening session, and stated that she would be presenting the findings from Phase One at the session. Co-Chair Varco asked if there were further details on what methods of input would be at the listening session. A policy associate from Mayor Carter's team came forward and explained in detail the format of the public listening session. There will be a presentation by Mayor Carter, then a brief history of the minimum wage, then Ms. Hoffman's presentation on Phase One. Next will be small group session facilitated by mediators, and finally there will be multiple methods of input, including a microphone, written input, and communication with the assistance of a mediator. This variety will ensure that all voices are able to be heard.

The Citizens League staff member reiterated Mayor Carter's public support for this Study Committee, and that even though he has publicly stated his idea of what the minimum wage will be, and his position on tip credits, he was relying on the Study Committee to help him with the implementation, with identifying possible exemptions, and phase-in timelines.

Committee members asked for more information on how ordinances worked. The staff member responded that there would be a primer on ordinances at the June 7<sup>th</sup> committee meeting. There has also been some questions about implementation, which is part of the scope for this committee.

The staff member reviewed the committee's Scope of Work. They reminded the committee that there is no uncertainty that the minimum wage will be increased. The question is about implementation and what shape the increase will take. The first question in the Scope is "What should the minimum wage be?" The second question is "What, if any, exemptions should be included in this ordinance?" The third question is about the role of tips in the wage ordinance. This is a nuanced conversation, and there will be two sequential panels on two separate days about the topic to help the committee understand the issue. The fourth question is about phase-in times.

The staff member outlined the plan for the next few meetings. Next week will include a small business owner panel. The following week will be opponents to the tip penalty, and the week

after will be proponents of the tip credit. Having two different panels will enable the committee to engage with the panels, rather than have differing views in the same room and engaging with each other. There will then be a low-wage worker panel. Staff is currently building an exemptions panel, and is including people that are recommended by committee members.

Ms. Hoffman said that the Study Committee's final report may take the form of a single recommendation, or it might be a collection of different scenarios that reflect multiple perspectives.

The staff member directed the members' attention to news articles included in the members' packets. There is media interest in the committee, and the members are encouraged to respect the privacy of other members, and to avoid talking publicly about other members without their permission. One television network has asked if the committee would be willing to hold a meeting in the studio to be recorded. The Citizens League defers to the committee's wishes on the matter, and will ask for its input over the next week.

Final Ratings from Committee Members: 3, 4, 4, 4, 4, 4, 4.5, 4, 3.5, 5, 4, 3, 4.5, 4, 4, 4

Average Score: 4

Co-Chair Varco closed the meeting at 10:32 a.m.