



Testimony from Samantha Warren
University of Maine System Director of Government & Community Relations
Neither For Nor Against LD 670, *An Act to Increase the Minimum Wage for Large Employers*
March 18, 2019

Senator Bellows, Representative Sylvester and distinguished members of the Joint Standing Committee on Labor and Housing. My name is Samantha Warren and I am the Director of Government and Community Relations for the University of Maine System, testifying today neither for nor against LD 670, *An Act to Increase the Minimum Wage for Large Employers*.

With more than 10,000 employees, more than half of whom are student workers, your public university system is one of Maine's largest employers and directly impacted by many of the bills being considered by this Committee especially those related to wages, benefits and bargaining.

While the recent rapid rise in the state's hourly minimum wage will not impact the pay of our traditional workforce until it increases to \$12 in 2020, the University has been uniquely challenged when it comes to compensating work-study and other student workers who must be paid at least the greater of the federal, state or local minimum wage.

As this Committee is aware, the federal minimum wage has not increased since 2009 when it was set at \$7.25 an hour. As a result, the annual allocation we receive from the federal government to support our nearly 3,000 work-study students has also not increased in that 10-year period. However Maine's changing minimum wage over the last three years has necessitated the University hiking the hourly wage of its lowest paid work-study recipients and other student workers by nearly 50 percent (\$3.50) to the current \$11 level. Under LD 670, it would soon soar even higher to \$15 by 2023 – a doubling from just seven years prior. As we are forced to stretch these federal- and University-supported financial aid dollars further, campuses are forced to cut hours or offer work-study awards to fewer recipients – limiting opportunities and skill development for the students who would most benefit.

Compression issues have also been created. While our campuses have historically maintained meaningful pay differentiation between entry-level jobs and those requiring greater responsibility and experience, the minimum wage increase has necessitated adjustment of our pay scales for student workers. A decade ago at the University of Maine, the difference in hourly pay between the lowest (\$7.50) and highest (\$15.50) paid student worker was \$8 an hour. Currently, it has contracted to a \$5.50 per hour differential and will only narrow as the minimum wage increases.

Student workers are vital to our operations. While some would argue it's a good thing they can earn the same amount of money by working less hours, it challenges our campuses to continue delivering critical services and supports and ultimately prevents students from getting the rewarding and relevant experiences they need to prepare for career success. In 2018, students worked 1,210,732 hours on our campuses. Were we to continue providing the same number of hours to these workers as the minimum wage increased a dollar an hour per year, the cost to us would be approximately \$1.2 million more a year, something we simply cannot afford or absorb.

Perhaps of greatest concern to the University and this Committee is that the sudden surge in the minimum wage has narrowed the gap between our lowest paid employees and student workers – as of January 1, 2020, it will be nonexistent.

As returning lawmakers may be aware, the University has historically not weighed-in on labor legislation. Our competitive, comprehensive total compensation approach and continued investment in better wages and benefits for our workers has meant most policy proposals did not seriously impact us. That has changed this session.

Under the already scheduled increase in the minimum wage to \$12 on January 1, 2020, we will be required to raise the wages of 106 service and maintenance employees at a total cost to the System of \$57,325 next year, which we have appropriately budgeted for.

However, if the minimum wage jumps another \$3 an hour by 2023 as proposed by LD 670, we estimate the cost to the University will total nearly \$1.5 million over the three-year period (2021-23). That is in addition to voluntary increases in wages and benefits we are already planning and budgeting for. Specifically, there would be a wage adjustment of \$187,158 in 2021 when the minimum wage becomes \$13 an hour, an additional \$302,723 in 2022 when the minimum wage becomes \$14, and an additional \$432,182 in 2023 when the minimum wage becomes \$15. This does not account for the compression factor that forces us to increase the wages of others, including those in similar positions but with more experience.

Between the paid sick leave policy voted out of this Committee already, which we estimate will cost the University \$1.5 million annually; the overtime threshold increase which could cost as much as \$7.3 million more annually; and now this, the individual and collective impact of these proposals could unravel the nation-leading progress your public university system has made to advance affordability and decrease student debt. While we support the spirit of these bills, we urge your caution in supporting any legislation that would create cost increases that will ultimately be shouldered by Maine students and their families.

I thank you for the opportunity to testify today and am available to answer your questions.