

The Honorable Susan Bysiewicz
Secretary of the State

Dear Madam Secretary:

I am hereby returning without my signature House Bill 5105, *An Act Concerning the Minimum Wage* and Senate Bill 55, *An Act Concerning the Tip Credit*. I have grave concerns about the potential negative impact on employers of a minimum wage increase during these challenging economic times and believe that a concurrent tip credit is unnecessary without the passage of a minimum wage increase.

There is no doubt that families, particularly low income families, have been hurt by our strained economy. We all feel the pinch when buying groceries, filling up the gas tank and heating our homes. Yet we must also realize that employers face these same financial pressures and are having an extremely difficult time making ends meet. Just last month you noted that “businesses are clearly struggling to stay afloat as the national and state economy continues to see a major decline.” You also noted a “record number” of business closures: 2,752 for the first quarter of 2008. This trend is troubling and is a direct reflection of the nation’s flagging economy.

Seeking an increase in the minimum wage is laudable, but it is a decision that cannot be made absent consideration of its impact on the State’s economy. As leaders, we have to be cautious about mandating additional costs to be borne by employers and must always be cognizant of “what is best for,” not only in the short-term, but the long-term. What is best for – what desperately needs – is a successful economy, an economy that will create jobs and provide benefits to our residents – today, tomorrow and well into the future.

Connecticut already ranks among the highest state in the nation for business costs. At a time when employers are fighting for survival, an increase in the minimum wage will only serve to increase the cost of doing business in and may well be the last straw for many employers. We must appreciate the ripple effect of a minimum wage increase – from higher Social Security and unemployment taxes and workers compensation payments to wage increases necessary to maintain payment differentials between different levels of employees (i.e., compression), and higher wages for union employees whose compensation is tied to the minimum wage. Employers that are now operating on the margin may be forced to close or leave to more business-affordable states, resulting in job losses that will undermine the already fragile foundation of financial security for thousands of families. Alternatively, employers already operating on razor-thin margins will likely pass these additional costs onto consumers, often the very same persons that the bill seeks to help and at a time when few families can afford additional price increases.

We must not lose sight of the integral role that employers play in sustaining our economy, or the fact that, without employers, there are no jobs. It is not a minimum wage increase that will support our families – it is a thriving economy, accomplished through a business-friendly environment with successful employers and reasonably priced consumer goods and services.

Senate Bill 55, *An Act Concerning the Tip Credit*, also returned without my signature, offsets the minimum wage increase set forth in H.B. 5105 for hotel and restaurant employers by increasing the tip credit that these employers may recognize for bartenders and waitstaff effective . Absent the passage of H.B. 5105, this bill would only serve to reduce the current wages paid by these employers to waitstaff and bartenders and is therefore unnecessary, even harmful.

For these reasons, I disapprove of H.B. 5105, *An Act Concerning the Minimum Wage* and S.B. 55, *An Act Concerning the Tip Credit*. Pursuant to Section 15 of Article Fourth of the Constitution of the State of , I am returning H.B. 5105 and S.B. 55 without my signature.

Very truly yours,

M. Jodi Rell
Governor