



To: The General Assembly Committee on Labor and Public Employees

Date: Thursday, January 31, 2013

Testimony on behalf of the Connecticut Child Care Association (CCCA) in opposition to the passage of **RSB 387, “An Act Increasing the Fair Minimum Wage”**

Chairpersons and Members of the Labor Committee,

Our names are Gerry Pastor and Haylee Marcuccio and we are the owners of Connecticut, licensed and privately funded day care centers and members of the Board of Directors of the Connecticut Child Care Association of Connecticut.

The CT Child Care Association represents the interests of numerous private child care providers across the state. At this time there are more than 1,500 licensed child care centers in Connecticut of which approximately 1,100 subsist primarily on private funded tuitions. These programs represent a total capacity of approximately 70,000 children and approximately 20,000 employees.

CCCA would like to offer comments to you today in response to **RSB 387, “An Act Increasing the Minimum Fair Wage”**. We believe the current proposal of an 18% increase, or, \$1.50 per hour over the next two years and subsequent indexing to inflation would impose a severe financial hardship on child care providers and the families they serve across the state.

As active participants in the childcare industry, owners and managers understand the incredible hard work, energy and commitment that childcare teachers invest on a daily basis. This is not a question of the value of employees; this is a question of financial stability for the child care industry in the state of Connecticut and our ability to meet our bottom lines.

In the childcare industry (as with many others), the single largest expense is payroll which consumes approximately 50% of revenues. The remaining 50% is used for

benefits, rent, supplies, maintenance and other costs of operation. The most financially successful programs may show an actual profit of only 10-15%. Most are struggling to reach single digit profitability. These profits are what allow for program improvements, expansion, new hires, tuition reimbursements and both planned and unanticipated capital expenditures.

In order to ensure a competitive workforce, the majority of centers already pay employees over minimum wage. However, an increase in minimum wage would, by demand and necessity, have a ripple effect and be applied to all salaries, resulting in a nearly 20% rise in payroll costs and thus a 10% rise in overall operating costs. For programs operating with single digit profitability, the increase would be devastating.

With the current economy, passing on a cost of living increase to our families is difficult. How many families could afford childcare at a rate of \$350-\$400 per week? When consideration is given to the economic factors that the childcare industry has been forced to accommodate in recent years (decreased enrollments due to increased unemployment, extraction of our preschoolers by the magnet schools, impending insurance mandates, paid sick leave), programs have been forced to do more with less. Increasing the minimum wage at this time would force them to make additional cuts to programs. When programs meet the point that the cuts no longer allow them to meet the overall needs of the children, families and employees in their programs, they will be forced to shut down. That time is rapidly approaching.

We thank you for your consideration of our concerns and ask that you not act favorably on this proposal.