H.549

Introduced by Representatives Wizowaty of Burlington, Bartholomew of Hartland, Edwards of Brattleboro, French of Shrewsbury, Martin of Springfield, McCullough of Williston, Poirier of Barre City, Ram of Burlington, Spengler of Colchester, Waite-Simpson of Essex and Zagar of Barnard

Referred to Committee on

Date:

Subject: Nonprofit corporations; state funding; employee compensation

Statement of purpose: This bill proposes to limit state funding to profit and nonprofit corporations that meet an 8:1 compensation ratio between the highest and lowest paid employees.

An act relating to establishing state funding eligibility for nonprofit corporations

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. FINDINGS AND PURPOSE

The general assembly finds:

(1) There exists in the United States a widely documented, growing income gap between the wealthiest Americans and the average worker that is greater now than at any time since the Great Depression.

(2) Vermont has not escaped this trend. According to a recent study by the Public Assets Institute, the total annual income received by Vermonters between 1989 and 2009 rose 60 percent—the same rate as the overall economy. During the same period, the median household income of Vermonters remained virtually flat—in fact, rose only 2.1 percent (figures adjusted for inflation).

(3) In 1980, the top 10 percent of Americans collected about one-third of the nation's income and the bottom 90 percent collecting two-thirds. By 2011, that top 10 percent collected close to one-half of the nation's income. In 1980, the top one percent collected 10 percent of the nation's income; they now collect double that (20 percent). And the income of the top one-thousandth (the "super-rich") quadrupled. (*The New Yorker*, 3/7/2011.)

(4) In 2009, the bottom 80 percent of Americans collectively held less than 13 percent of the wealth.

(5) The ratio between highest and lowest paid employees in a company or institution provides a measure of this growing income inequality. Even the averages, by definition higher than the lowest and lower than the highest, show a disparity that can only be described as astonishing. The ratio of the average CEO pay to the average worker pay in the United States, estimated at 343:1 in 2010, is now estimated at 475:1.

(6) The recent Occupy Movement protested this income inequality around the country. That such actions gained widespread support suggests that this growing income inequality is no longer acceptable to the majority of Americans. The phrase “We are the 99%” has become part of the national conversation.

(7) Past efforts to address income inequality have included establishing ratios between the lowest and highest paid employees in a corporation. Ben & Jerry’s Ice Cream famously instituted such a policy in 1990 but dropped it in 1995. A few other companies continue the effort, such as Bridgeway, a highly successful investment company, which still uses a ratio.

(8) In July 2011, President Obama signed into law the Dodd–Frank Wall Street Reform and Consumer Protection Act, which includes a provision requiring companies to disclose the ratio of the pay of the CEO to the median pay of everyone else in the company.

(9) In Vermont, the ratio between lowest and highest paid employees varies from department to department but is nowhere greater than 1:8. At least one department has a ratio of 1:4.

(10) The general assembly of the state of Vermont has a responsibility to allocate its resources to where they can accomplish the greatest good, in support of education, infrastructure, environmental protection, public health, human services, and the like. It is likewise in the state’s interest to ensure that

its investments and appropriations go to agencies, organizations, and businesses that have in turn demonstrated responsible use of resources. This includes adhering to a compensation system that meets the same standard upheld by the state itself.

(11) Thus, the state determines to evaluate appropriations in light of the potential recipient's compensation system—specifically, the ratio between the lowest and highest paid employees.

Sec. 2. 32 V.S.A. § 707 is added to read:

§ 707. ELIGIBILITY OF ENTITY TO RECEIVE APPROPRIATION OR SUBSIDY

Any business entity conducting activity in this state, regardless of its form of organization, shall be ineligible to receive a direct appropriation or any other state subsidy, including bonds, grants, loans, loan guarantees, enterprise zones, empowerment zones, tax increment financing, grants, fee waivers, land price subsidies, matching funds, tax abatements, tax exemptions, or tax credits, unless the ratio of the total compensation awarded to the highest and lowest paid employees of the entity does not exceed eight to one.

Sec. 3. EFFECTIVE DATE

This act shall take effect on passage.