HHS Item 1
October 9, 2017
Worksession

MEMORANDUM

October 5, 2017

TO: Health and Human Services Committee

FROM: Josh Hamlin, Legislative Attorney
Gene Smith, Legislative Analyst

SUBJECT: **Worksession:** Bill 28-17, Human Rights and Civil Liberties – County Minimum Wage – Amount - Annual Adjustment

Bill 28-17, Human Rights and Civil Liberties – County Minimum Wage – Amount - Annual Adjustment, sponsored by Lead Sponsor Councilmember Elrich, and Co-Sponsors Councilmembers Leventhal, Riemer, Hucker and Navarro, was introduced on July 25. A public hearing on the Bill was held on September 26.

Bill 28-17 would:

- increase the County minimum wage by a certain amount;
- require the Chief Administrative Officer to adjust the County minimum wage rate each year; and
- require the Office of Legislative Oversight to conduct an annual analysis of the impact of the County minimum wage.

Background

In 2013, the Council enacted Bill 27-13,[1] which established a County minimum wage for private sector employees working in the County, unless the State or federal minimum wage is higher. The County minimum wage established under Bill 27-13, as amended, was phased in over several years. The rate was set at $8.40 per hour effective October 1, 2014, and increased to $9.55 per hour on October 1, 2015, $10.75 on July 1, 2016, and $11.50 per hour on July 1, of this year. There are no requirements in County law for further increases in the County minimum wage.

The County minimum wage does not apply to a worker who is exempt from the State or federal minimum wage, is under the age of 19 years and is employed no more than 20 hours per

[1] The County minimum wage law has been amended twice since being established by Bill 27-13. Bill 59-14 modified some of the effective dates for increases, and Bill 24-15 modified the method for calculating the "tip credit" allowed to employers of tipped employees.

week, or subject to an "opportunity wage" under the State or federal law. Employers of tipped employees may include in the computation of their wage amount a "tip credit" not exceeding the County minimum wage less $4.00 per hour.

In 2014, the Maryland General Assembly enacted a law raising the State's minimum wage from $7.25 to $10.10 per hour over four years, with incremental increases to $8.25 in 2015, $8.75 in 2016, $9.25 in 2017, and $10.10 in 2018. The federal minimum wage is $7.25 hour and has not changed since 2009.[2] There is a nationwide effort to increase the minimum wage at the federal, state, and local levels to $15.00 per hour, which has thus far had some success.[3] California and New York have enacted statewide laws that would increase the minimum wage in those states to $15.00 per hour over a period of years. In addition, several local jurisdictions and the District of Columbia have passed laws gradually increasing their minimum wage to $15.00 per hour.

Bill 12-16

In January of this year, the Council enacted Bill 12-16,[4] which would have extended the incremental increases set in County law by Bill 27-13 to go up to $15 per hour. The scheduled increases under Bill 12-16 were based on the size of the employer: workers whose employers have 26 or more employees would reach $15.00 per hour by 2020[5] and those of employers with 25 or fewer employees by July 1, 2022.[6] Bill 12-16 would also have required, beginning in 2023, annual adjustments to the minimum wage by the annual average increase, if any, in the Consumer Price Index for urban wage earners and clerical workers for the previous calendar year.

Bill 12-16 also included a "safety-valve" provision that would allow the County Executive the ability to pause implementation of a scheduled increase under certain adverse economic conditions. These conditions included: if total private employment for Montgomery County decreased by 1.5 percent over the period from April 1 to June 30 of the previous year; total private employment for Montgomery County decreased by 2.0 percent over the period from January 1 to June 30 of the previous year; the Gross Domestic Product of the United States experienced negative growth for the preceding two quarters: or the National Bureau of Economic Research determined that the United States economy is in recession.

On January 23, 2017, the Executive vetoed Bill 12-16. In a memorandum explaining his veto (©8-10), he expressed support for "the effort to move toward $15 per hour" but indicated that the enacted Bill went "too far, too fast." The Executive expressed hope that a new bill, with broader support, could be introduced "in the near future," and called for a study, to be completed by July of this year, examining the anticipated fiscal and economic impact of an increased County

[2] A chart showing the federal minimum wage rates from 1938-2009 is at:
http://www.dol.gov/whd/minwage/chart.htm

[3] A summary of jurisdictions approving some form of minimum wage increase in 2016 is at:
http://raisetheminimumwage.com/21-states-localities-approved-minimum-wage-increases-in-2016/

[4] The packet for Council action on Bill 12-16 is at:
http://www.montgomerycountymd.gov/COUNCIL/Resources/Files/bill/2016/Packets/20170117_6.pdf

[5] The scheduled increases in the minimum wage paid by employers of 26 or more employees under Bill 12-16 were: $12.50/hr. effective July 1, 2018; $13.75 in 2019; and $15.00 in 2020.

[6] The scheduled increases in the minimum wage paid by employers of 25 or fewer employees under Bill 12-16 were: $12.00/hr. effective July 1, 2018; $12.75 in 2019; $13.50 in 2020; $14.25 in 2021; and $15.00 in 2022.

minimum wage. In addition to the study, the Executive cited exemptions for small businesses and youth workers, and the provision for reaching a $15/hour minimum wage by 2022, as preconditions for him to fully agree with a new bill increasing the minimum wage.

Bill 28-17

Bill 28-17 would replicate the changes that would have been implemented under Bill 12-16, but with two key distinctions aimed at addressing issues that were raised during that Bill's consideration. Under Bill 28-17, two additional classes of employers would be subject to the slower phase-in schedule for smaller employers (i.e., $15.00/hr by 2022). This schedule would apply to employers who: (1) employ 25 or fewer employees; (2) have tax exempt status under Section 501(c)(3) of the Internal Revenue Code; or (3) provide "home health services" or "home or community-based services," as defined under federal Medicaid regulations (see ©11-19), and receive at least 75% of gross revenues through state and federal medical programs. The third group (Medicaid funded employers) would have to be determined eligible by the Office of Human Rights. Bill 28-17 would retain the annual adjustment based on increases in the Consumer Price Index and the requirement that the Office of Legislative Oversight provide the Council with an annual analysis of the impact of the County minimum wage on the local economy. The Bill also includes the "safety-valve" provisions of Bill 12-16, which allow the Executive to temporarily suspend scheduled increases during the phase-in.

Legal Authority

Montgomery County can set its own minimum wage by law even though the State of Maryland has a minimum wage law. In *City of Baltimore v. Sitnick*, 254 Md. 303 (1969), the Maryland Court of Appeals upheld a city ordinance establishing a minimum wage standard that was higher than the State standard. In that case, the plaintiffs argued that State law had preempted the field of minimum wage. In rejecting that argument, the Court held that the City of Baltimore could pass its own minimum wage law based on the city's exercise of concurrent power because the city law did not conflict with the State law.

The Minimum Wage Impact Study

As referenced in his veto message, the Executive commissioned a study of the impacts of increasing the County's minimum wage to $15 per hour (the "Study"). On August 1, 2017, the Executive forwarded the Study,[7] performed by PFM Group Consulting, LLC (PFM) to the Council (see ©20). Key impacts of the proposed minimum wage increase identified by the Study included a projected loss of approximately 47,000 jobs by 2022, an estimated loss of income of approximately $396.5 million from 2017 to 2022, a projected need for $10.0 million in additional funding in the County budget to address increased payroll costs, and a projected loss of income tax revenue of $40.9 million from FY2018 to FY2022. (See Executive Summary at ©21-28). The Study's projections were largely based on:

[7] The full Study is at http://montgomerycountymd.gov/OPI/Resources/Files/2017/MC_Minimum-Wage-Impact-Analysis_7-31-2017.pdf

- Data from the County regarding its budget, contracts with outside vendors, and County workers.
- Feedback from County officials on the possible impact of the proposed increases gathered during interviews conducted in April and May 2017.
- Feedback from multiple County business owners and business community leaders gathered during interviews conducted in April and May 2017.
- Responses from an electronic survey of Montgomery County business owners conducted in May 2017.
- Feedback from multiple County non-profit employees and non-profit community leaders gathered during interviews conducted in May 2017.
- Responses from an electronic survey of Montgomery County non-profit leaders in May 2017.
- Third-party economic and demographic data and research from sources that include the United States Census Bureau (Census), the Bureau of Labor Statistics (BLS), the Center on Wage and Employment Dynamics (CWED), the National Employment Law Project (NELP), etc.
- Information from the websites and public documents of other cities and counties that have increased their minimum wage rates in recent years.

See pp. 14-17 of the Study for a description of the Study approach and methodology.

After reviewing the Study, Councilmembers had several questions about the Study, aimed at better understanding the Study's methodology and findings. These questions were forwarded to the Executive on August 15, 2017, with a request that PFM provide written answers by September 5, 2017 (see ©29-32). Also on August 15, the Executive sent a letter to PFM formally requesting that PFM review the methodology and findings of the Study (see ©33-34). In the letter, the Executive expressed concern about the projected number of jobs lost and economic impact, and noted that PFM itself had indicated that "there might be a problem with the methodology and calculation of the fiscal impact and resulting job impacts." The Executive requested that the review receive immediate attention.

On September 13, 2017, the Executive sent a memorandum to Council President Berliner laying out a suggested approach for moving forward with Bill 28-17 (see ©35-36). In the memorandum, the Executive noted the challenges faced in conducting the Study, and indicated that Executive Branch staff still had concerns about certain findings in the Study. Due to uncertainty over whether the concerns could be adequately addressed in a timely manner, the Executive recommended that the Council consider moving forward with an amended version of Bill 28-17.

The Executive recommends the following changes to the Bill:

- Amend the size of small employers to be 50 or fewer employees.
- Amend the timeline for reaching the $15 minimum wage to:
    - July 1, 2022 for large employers; and
    - July 1, 2024 for small employers and non-profits.

- Establish a 90-day period after employment during which an employer may pay a new employee 85% of the minimum wage.
- Enact a County opportunity wage so that the County is not automatically tied to the State opportunity wage, which is 85% of the State's minimum wage for workers under 20 years of age for the first 6 months of employment. The intent of the opportunity wage is to provide an incentive for employers to give opportunity for work experience to younger workers.

State and local minimum wage laws around the U.S.

Twenty-one states, plus the District of Columbia, have approved minimum wage increases since 2014. California, New York, and D.C. are phasing in $15 minimum wages. Many larger cities, including Seattle, San Francisco, Los Angeles, D.C., and most recently Minneapolis, have enacted local minimum wage laws that ultimately raise the minimum wage to $15.00 per hour. The state-of-play regarding state and local minimum wages is discussed in some detail in the January 13 memorandum that was part of the action packet for Bill 12-16 (see ©37-70).[8]

Since the enactment (and subsequent veto) of Bill 12-16, there have been significant developments related to local minimum wage laws in Seattle and Minneapolis, Minnesota. Additionally, there has been some movement among businesses in increasing pay.[9] On September 25, Target announced its intention to raise its minimum pay to $11 an hour, with a "commitment" to setting its lowest wage at $15 an hour by 2020.[10]

The Seattle studies

Two studies examining the impact of increases in the minimum wage in Seattle were released in June, 2017. In late June, researchers from the University of Washington (UW), which was commissioned by Seattle to study the impacts of its minimum wage increases, released a working paper through the National Bureau of Economic Research.[11] A two-page summary of the paper is at ©71-72. The headline-grabbing[12] paper examined the effects of both the first and second scheduled increases in the Seattle minimum wage. The first of these was an increase from $9.47 to as much as $11.00 per hour on April 1, 2015; the second, in January 2016, raised the minimum wage from $10.50 to $13.00 per hour. In conducting the study, researchers relied on data from the State of Washington Employment Security Department showing hours worked, in addition to earnings.

From the first increase, researchers noted a 1.5% increase in hourly wages for low wage employees (i.e., those earning $19/hour or less), modest reductions in employment, and little

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[8] The full packet (memorandum plus attachments) can be accessed at:
http://www.montgomerycountymd.gov/COUNCIL/Resources/Files/bill/2016/Packets/20170117_6.pdf
[9] https://qz.com/1086383/big-american-companies-like-target-and-walmart-are-attracting-new-workers-by-raising-their-minimum-wages/
[10] https://corporate.target.com/press/releases/2017/09/target-raises-minimum-hourly-wage-to-11-commits-to
[11] https://evans.uw.edu/sites/default/files/NBER%20Working%20Paper.pdf
[12] https://www.seattletimes.com/business/uw-study-finds-seattles-minimum-wage-is-costing-jobs/;
https://www.washingtonpost.com/news/wonk/wp/2017/06/26/new-study-casts-doubt-on-whether-a-15-minimum-wage-really-helps-workers/?utm_term=.05d10a61e6d8

change in total payroll for low-wage jobs. The second increase had a significantly larger impact, increasing pay in low-wage jobs by about three percent, but also resulting in a nine percent reduction in hours worked in these jobs, and a six percent decrease in what employers collectively pay, *and workers earn*, for those low-wage jobs. The net effect on the average low-wage worker in Seattle, according to the paper, was a loss of about $125 per month per job.

Criticism of the UW paper was swift,[13] and focused largely on the study's methodology, which excluded businesses with multiple locations, from its analysis. Because this exclusion left out large chain restaurants and big box retailers, impacts on roughly 40% of Seattle workers, including a significant number of low-wage workers, were not even considered. Critics pointed to a study by the Center on Wage and Employment Dynamics (CWED) at the University of California - Berkeley's Institute for Research on Labor and Employment released shortly before the UW paper, which offered a strikingly different view of the impacts of the minimum wage increase on Seattle workers.[14] The abstract for the CWED study is at ©73-74.

CWED researchers examined data on Seattle's restaurant industry from 2009 to 2016, thus reflecting the first two scheduled increases in Seattle, up to $13.00 per hour. The researchers focused on the food-service industry, and found that wages in food services increased "in line with the lion's share of results in previous credible minimum wage studies." Notably, the CWED researchers determined that employment in food service was not affected, even among the limited-service restaurants. More specifically, the evidence presented by the CWED researchers suggests that increasing the minimum wage in Seattle up to $13 per hour resulted in higher wages for low-paid workers without causing disemployment. Each ten percent minimum wage increase in Seattle raised pay by nearly one percent in food services overall and by 2.3 percent in limited-service (fast food) restaurants.[15]

Minneapolis minimum wage law

On June 30, the City of Minneapolis, Minnesota passed a municipal $15.00 per hour minimum wage law.[16] As with all the local minimum wage laws, Minneapolis' ordinance phases increases over a period of years. Similar to Bill 28-17, there are two tiers in the phase-in, with employers classified by number of employees.[17] Under the Minneapolis law, the $15.00 per hour minimum wage applies to employers with more than 100 employees beginning July 1, 2022, with increases indexed to inflation beginning January 1, 2023. Small employers (100 or fewer employees) will reach the $15.00 requirement in 2024.[18]

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[13] http://fortune.com/2017/06/27/seattle-minimum-wage-study-results-impact-15-dollar-uw/

[14] http://irle.berkeley.edu/files/2017/Seattles-Minimum-Wage-Experiences-2015-16.pdf

[15] CWED researchers found that wages increased much less among full-service restaurants, likely indicating that employers made use of the tip credit component of the law.

[16] http://www.minneapolismn.gov/www/groups/public/@clerk/documents/webcontent/wcmsp-201278.pdf

[17] The law actually includes three size classifications of businesses. In addition to "large business" (more than 100 employees) and "small business" (100 or fewer employees), it contains a definition for "micro business," meaning "an employer that employs 20 or fewer employees." However, the term is not used in the substantive provisions of the ordinance, so it does not appear to have any applicability to minimum wage requirements.

[18] Small employers in Minneapolis will likely never be subject to a minimum wage requirement of *exactly* $15.00 per hour, because the law provides for annual inflation adjustments to the minimum wage for large employers beginning January 1, 2023, and requires that, effective July 1, 2024 the minimum wage rate for large employers applies to *all*

The implementation schedule in Minneapolis is as follows:

Date	Large employer	Small employer
Jan. 1, 2018	$10.00	No increase
July 1, 2018	$11.25	$10.25
July 1, 2019	$12.25	$11
July 1, 2020	$13.25	$11.75
July 1, 2021	$14.25	$12.50
July 1, 2022	$15	$13.50
2023	Jan. 1: $15 indexed to inflation	July 1: $14.50
July 1, 2024	$15 indexed to inflation	$15 indexed to inflation

Another notable feature of the Minneapolis law is that it allows an employer to pay a sub-minimum, or "training wage" of 85% of the applicable minimum wage, rounded to the nearest five cents, to an employee under the age of 20 years who is employed in a city-approved training or apprenticeship program, for the first 90 days of employment. This provision is analogous to the opportunity wage permitted under the existing County minimum wage law, though it is more restrictive and for a shorter duration.

Fiscal and Economic Impact

OMB has indicated that the Fiscal and Economic Impact statements for the Bill will not be complete until October 16 (©75). However, since the timelines and minimum wage amounts in this Bill are essentially identical to those of Bill 12-16, the statement for Bill 12-16 may be useful (see ©76-83). For Bill 12-16, OMB estimated a total fiscal impact in fiscal years 2018 through 2022 of $6,483,575. This estimate was based on pay increases to employees on the minimum wage/seasonal salary schedule, assuming the current number of hours worked by affected employees. It does not include any impact related to increases in the supplement paid to providers of services to adults with developmental disabilities (see discussion of this issue below). The Office of Finance noted that "there is no consensus among economists on the effects of the minimum wage on enforcement," and concluded that it is uncertain whether increasing the minimum wage would either increase or decrease employment among low-wage workers.

Public Hearing and Correspondence

Thirty-seven people testified at the September 26 public hearing. As with Bill 12-16's public hearing, a number of perspectives were presented. Opponents of the Bill warned of adverse effects on businesses, which could ultimately hurt the workers the Bill is intended to help. Ron Zimmerman of Zimmerman's Ace Home Center presented a breakdown of his payroll expenses, and said that enactment of the Bill would cause him to close his business (©84-86). Jennifer Russel

employers. In effect, on July 1, 2024 small employers will go from a minimum wage rate of $14.50 per hour to a rate of $15.00 plus the annual inflation increases of January 1, 2023 and 2024.

of the Greater Bethesda Chamber of Commerce reiterated concerns she expressed at the public hearing for Bill 12-16, highlighting that the impacts of the Bill are not clear (©87-88). Ilaya Hopkins of the Montgomery County Chamber of Commerce cited potential negative impacts of further minimum wage increases on small businesses (©89-93). In a letter, the Greater Silver Spring Chamber of Commerce reiterated an oft-stated concern that the increases were "too much, too fast" (©94-95).

Maddy Voytek of the Maryland Retailers Association referenced the recently released University of Washington study of the effects of Seattle's minimum wage increase, and warned of increasing costs for businesses (©96). Melvin Thompson of the Restaurant Association of Maryland strongly opposed the Bill, saying it would have a particularly significant effect on County restaurants due to the labor-intensive nature of the business and its very narrow profit margins (©97-98). These concerns were also shared in a letter from James Plamondon of the Plamondon Companies, which operate four company and one franchisee-owned Roy Rogers restaurants in the County (©99-100). The Agricultural Advisory Committee wrote in opposition to the Bill because it would put Montgomery County farms at a competitive disadvantage compared to farms in neighboring jurisdictions (©101).

The Bill's supporters referenced the high cost of living in Montgomery County, and included first-hand accounts of the struggle to get by on minimum wage. Jaime Contreras of the SEIU (©102-103), Pamela Luckett of the Community Action Partnership (©104-105), and Amy Millar of UFCW Local 1994 (©106-107) presented examples of the financial needs of different hypothetical households, all of which were far above what could be attained working one full time minimum wage job. Ethan Kaplan, Associate Professor of Economics at the University of Maryland also spoke in support of the Bill, criticizing the PFM Study, referencing support for the notion that there are essentially no negative employment effects of a minimum wage that is 55% of the area median wage, and pointing out potential indirect benefits of a minimum wage increase (©108-113). Representatives from the Economic Policy Institute (EPI) (©114-121) and National Employment Law Project (NELP) (©122-137) offered testimony in support of the Bill, against any sub-minimum or opportunity wage, and, in EPI's case, against the slower phase-in schedule proposed by the Executive.

Diamante Rodriguez, offered general support for the Bill, but supported different rules, such as the "opportunity wage" for young workers, and particularly young workers of color, who face additional challenges entering the workforce (©138-140). The Council also heard from Jared Hautamaki (©141-142), Carlos Alvarado (©143) and Jose Ventura (©144), all of whom presented first-hand experience of the struggles faced by low-wage workers.

Members of the County's nonprofit community pointed out that minimum wage increases would present a challenge to delivering the current level of service when State and local funding does not increase to cover additional costs. Tim Wiens of Montgomery County Inter ACC/DD said that the organization shares the goal of the Bill, but estimated that organizations serving adults with developmental disabilities will need an additional $19,481,220 in FY23 County funding to maintain wages of direct service providers at 125% of the increasing County minimum wage (©145-146). Afshin Abedi of the Maryland Association of Adult Day Services indicated that adult day care providers could not pass on additional labor costs to consumers, because they are prohibited from charging Medicaid patients for services. He asked that the Council consider committing to a supplement similar to that paid to DDA providers (©147-149). The Jewish Community Relations Council expressed significant concerns about the impact of the Bill on the ability of its affiliated agencies to continue to offer services to several constituencies, including home care, nursing care, and preschool and aftercare (©150-153).

Issues for Committee Discussion

The issues raised by this Bill are essentially the same as those raised by Bill 12-16. Staff has included the action memorandum for Bill 12-16 at ©37-70. The Executive's recommendations in his September 13 memorandum present new considerations, which are discussed below, as is the continued concern expressed by providers of services to adults with developmental disabilities about future funding levels.

1. Implementation timeline

Like Bill 12-16, Bill 28-17 has a two-tiered transition, or phase-in, under which the minimum wage increases each year, ultimately reaching $15.00 per hour in 2020 for employers with 26 or more employees. Smaller employers, non-profits, and certain Medicaid-dependent service providers[19] reach the $15.00 per hour minimum two years later, in 2022. The Executive has recommended that this transition be more gradual, with the larger employers reaching the $15.00 minimum in 2022, and the smaller employers, non-profits, and eligible service providers reaching it in 2024.

As with all of his recommendations on the Bill, the Executive didn't offer a specific rationale for this proposal. However, a phase-in schedule where suburban jurisdictions move toward the ultimate minimum wage level slightly more slowly than the urban, regional economic driver is not unprecedented; this model is employed in New York. In New York City, minimum wage increases have a two-tiered phase-in, with large businesses (those with at least 11 employees) reaching a $15.00 per hour minimum on 12/31/2018, and small businesses (those with 10 employees or fewer) reaching $15.00 per hour on 12/31/2019. In suburban New York City (Nassau, Suffolk and Westchester Counties), the minimum wage would not reach $15.00 per hour until 12/31/2021.[20] With Washington D.C. already committed to reaching a $15.00 per hour minimum wage by 2020, this slower transition would resemble that model.

2. Size of small business

As noted above, Bill 28-17 distinguishes between "larger" and "smaller" businesses for the purposes of phasing-in the $15.00 per hour minimum wage, with the demarcation being between 25 and 26 employees. The Executive has recommended that this be changed to 50-51, so that

[19] Specifically, the slower phase-in applies to employers who: (1) employ 25 or fewer employees; (2) have tax exempt status under Section 501(c)(3) of the Internal Revenue Code; or (3) provide "home health services" or "home or community-based services," as defined under federal Medicaid regulations and receive at least 75% of gross revenues through state and federal medical programs.

[20] The minimum wage in New York outside the New York City metro area would also increase, eventually reaching $15.00 per hour, but on a much slower timeline.

employers with 51 or more employees reach the $15.00 requirement two years earlier than those with 50 or fewer employees. Raising this number would increase the number of establishments[21] subject to the slower transition by 1,408, and the number jobs by nearly 50,000. However, 54.5% of jobs would remain in the faster phase-in, including most jobs with chain retail and food service establishments. This change would likely provide the extra implementation time to a substantial number of local businesses. However, many have expressed concern about the amount of increases proposed in the Bill, regardless of the transition period. The table below shows the number of establishments in six size categories, and more importantly, the number of jobs in these categories.

Breakdown of County Establishments by Size

Establishment Size	Number of Establishments	Percent of Total	Number of Jobs	Percent of Total
10 or fewer jobs	26,457	81.1%	63,069	17.1%
11 to 25 jobs	3,384	10.4%	54,874	14.9%
26 to 50 jobs	1,408	4.3%	49,702	13.5%
51 to 99 jobs	752	2.3%	52,240	14.2%
100 to 499 jobs	568	1.7%	100,723	27.4%
Greater than 500 jobs	43	0.1%	47,361	12.9%

Source: 2017Q1 QCEW; County, private establishments only

3. 90-day training wage

In his September 13 memorandum, the Executive recommended that the Bill provide for a 90-day period after employment during which an employer may pay any new employee 85% of the County minimum wage.[22] The purpose of this recommendation is apparently to permit employers to pay a lower wage to employees for a very short period to mitigate against the claimed high turnover among new employees. Businesses, often restaurants, have indicated that new hires at low-wage positions frequently quit within the first weeks of employment; this would reduce these businesses' investment in these employees until a point where retention of the employee is more likely. The amount of savings for a business would amount to $2.25 per employee hour, or $90.00 per 40 hour work week, during the 90-day period at a $15.00 per hour minimum wage.

4. Opportunity wage

Under current County law, employees subject to an "opportunity wage" under the State or federal minimum wage laws are exempt from the County minimum wage. The opportunity wage,

[21] The U.S. Census defines "establishment" as "generally a single physical location where business is conducted or where services or industrial operations are performed (e.g., factory, mill, store, hotel, movie theater, mine, farm, airline terminal, sales office, warehouse, or central administrative office). An enterprise, on the other hand, may consist of one or more locations that are more than 50 percent owned by the same entity performing the same or different types of economic activities. Each establishment of that enterprise is assigned a NAICS code, based on its own primary business activity." For example, there are five Target stores in the County. Each of these stores is an establishment and thus Target Corporation would be represented five times (once for each store) in the data above.

[22] For reference, 85% of the current County minimum wage of $11.50 per hour would be $9.78; 85% of a $15.00 minimum wage would be $12.75.

or "youth minimum wage" as it is called in federal law, is essentially a sub-minimum wage for young workers that may be paid for a limited period of time. The intent behind these policies is to try to incentivize the hiring of young people just entering the workforce by discounting their labor for a limited period of time. This mechanism is the component of the minimum wage law that comes closest to addressing, however incompletely, Councilmember Rice's concern that young people, and particularly young people of color, already face undue hardship entering the workforce, and that increasing the minimum wage will exacerbate that hardship.

Both State and Federal law provide for an opportunity wage, but the amounts of the sub-minimum and the duration that it may be paid differ. The federal youth minimum wage allows employers to pay employees under 20 years of age a minimum wage of $4.25 per hour for 90 calendar days (not work days) after they are first employed. The State law provision requires a higher rate of pay, but allows it for a longer period. Under Maryland Labor and Employment Code §3-413(d)(1), an employer may pay an employee under the age of 20 years a wage equal to 85% of the State minimum wage for the first 6 months that the employee is employed. This amounts to a minimum of $7.86 per hour at the current State minimum of $9.25, rising to $8.59 when the State minimum increases to $10.10 per hour on July 1, 2018.

Because the State opportunity wage is higher than the federal youth minimum wage (and in fact higher than the full federal minimum wage), it applies to eligible employees in Montgomery County. The Executive has called for an amendment to the Bill that would provide for a specific County opportunity wage, using the same formula as the State, but pegged to the County rather than the State minimum. Under this proposal, a County opportunity wage would be $9.78 per hour at the current County minimum of $11.50, and would rise to $12.75 when the County minimum reaches $15 per hour under the Bill. Tying the opportunity wage to the County, rather than State, minimum wage is consistent with the notion that the higher County minimum is necessary due to the higher cost of living in the County relative to the rest of Maryland. However, it would diminish the incentive to employers to higher these young workers, as it would reduce the "discount" at which they could be employed for their first six months of employment.

5. DDA providers supplement

Throughout the consideration of Bill 12-16 and this Bill, the Council has heard from organizations that provide services to adults with developmental disabilities ("DD providers"). These organizations are largely dependent on federal Medicaid reimbursement, which does not adequately account for the higher cost of living in Montgomery County, or the higher minimum wage. Historically, the County has provided an annual financial supplement to these organizations in recognition of the higher cost of living. InterACC/DD has expressed support for the goals of the Bill, but stated a concern that the County supplement may not keep pace with the increases in the minimum wage, and that the organizations will not be able to maintain their practice of paying their direct service providers an average of 125% of the County minimum wage.

Similar concerns have also been expressed by the Maryland Association of Adult Day Services (MAADS) whose affiliates are also frequently reliant on Medicaid reimbursement, and unable to pass along cost increases. Adult day care providers do not currently receive a dedicated supplement from the County, but MAADS has asked the County to consider implementing one.

Because there is no benchmark for this supplement, as there is for the DD providers, the potential cost to the County of such a commitment is unknown.

The DD supplement is not provided for by law, but is approved through the annual budget process. Because the commitments sought by the DD providers and MAADS are budget, and not minimum wage issues, any steps to address their concerns legislatively will need to be done through separate legislation. Council staff is currently working on such legislation.

Recommended staff amendment

OLO's annual reporting responsibility

Bill 28-17 currently includes a provision requiring the Office of Legislative Oversight (OLO) to provide an annual "analysis of the impact of the County minimum wage on the local economy." After seeing the challenges faced by PFM in conducting the study of the potential impact of the Bill's proposed minimum wage increases, as well as the scope of the University of Washington's Seattle report discussed above, Council staff believes that such a broad mandate is beyond OLO's operational capacity. Staff believes that requiring OLO to collect and report annually on data related to the implementation of the County minimum wage and the local economy would be more feasible.

Staff recommendation: Amend lines 34-37 as follows:

27-70A. Annual impact analysis.

The Office of Legislative Oversight must provide to the Council, by January 31 of each year, [[an analysis of impact]] a report containing data related to the implementation of the County minimum wage [[on]] and the local economy.

This packet contains:

F:\LAW\BILLS\1728 Minimum Wage - Annual Adjustment\HHS Memo.Docx

Bill No. 28-17
Concerning: Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment
Revised: 07/13/2017 Draft No. 2
Introduced: July 25, 2017
Expires: January 25, 2019
Enacted: ______
Executive: ______
Effective: ______
Sunset Date: None
Ch. _____, Laws of Mont. Co. ______

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Councilmember Elrich
Co-Sponsors: Councilmembers Leventhal, Riemer, Hucker and Navarro

AN ACT to:
(1) increase the County minimum wage by a certain amount;
(2) require the Chief Administrative Officer to adjust the County minimum wage rate each year;
(3) require the Office of Legislative Oversight to conduct an annual analysis of the impact of the County minimum wage; and
(4) generally amend the laws governing the minimum wage

By amending
Montgomery County Code
Chapter 27, Human Rights and Civil Liberties
Article XI. County Minimum Wage
Section 27-68

By adding
Montgomery County Code
Chapter 27, Human Rights and Civil Liberties
Article XI. County Minimum Wage
Section 27-70A

Boldface	*Heading or defined term.*
Underlining	*Added to existing law by original bill.*
[Single boldface brackets**]**	*Deleted from existing law by original bill.*
Double underlining	*Added by amendment.*
[[Double boldface brackets**]]**	*Deleted from existing law or the bill by amendment.*
* * *	*Existing law unaffected by bill.*

The County Council for Montgomery County, Maryland approves the following Act:

Sec 1. Section 27-68 is amended and Section 27-70A is added as follows:

27-68. Minimum Wage Required.

(a) *County minimum wage.* Except as provided in Subsection (b), an employer must pay wages to each employee for work performed in the County at least the greater of:

(1) the minimum wage required for that employee under the Federal Act;

(2) the minimum wage required for that employee under the State Act; or

(3) [$11.50] $15.00 per hour.

(b) *Annual adjustment.* The Chief Administrative Officer must adjust the minimum wage rate required under Subsection (a)(3), effective July 1, 2023, and July 1 of each subsequent year, by the annual average increase, if any, in the Consumer Price Index for Urban Wage Earners and Clerical Workers, CPI-W, or a successor index, for the previous calendar year. The Chief Administrative Officer must calculate the adjustment to the nearest multiple of five cents, and must publish the amount of this adjustment not later than March 1 of each year.

(c) *Exclusions.* The County minimum wage does not apply to an employee who:

(1) is exempt from the minimum wage requirements of the State or Federal Act;

(2) is under the age of 19 years and is employed no more than 20 hours per week; or

(3) is subject to an opportunity wage under the State or Federal Act.

[(c)](d) *Retaliation prohibited.* A person must not:

(1) retaliate against any person for:

(A) lawfully opposing any violation of this Article; or

(B) filing a complaint, testifying, assisting, or participating in any manner in an investigation, proceeding, or hearing under this Article; or

(2) obstruct or prevent enforcement or compliance with this Article.

* * *

27-70A. Annual impact analysis.

The Office of Legislative Oversight must submit a report to the Council, by January 31 of each year, analyzing the impact of the County minimum wage on the local economy.

Sec. 2. Transition.

Notwithstanding Section 27-68, as amended in Section 1, except when the scheduled increases are suspended under subsection (e), the County minimum wage, until July 1, 2022, must be the greater of the minimum wage required under the Federal or State Act or:

(a) for an employer who employs 26 or more employees:

(1) effective July 1, 2018, $12.50 per hour;

(2) effective July 1, 2019, $13.75 per hour; and

(3) effective July 1, 2020, $15.00 per hour.

(b) for an eligible employer under subsection (c):

(1) effective July 1, 2018, $12.00 per hour;

(2) effective July 1, 2019, $12.75 per hour;

(3) effective July 1, 2020, $13.50 per hour; and

(4) effective July 1, 2021, $14.25 per hour.

(c) An employer is eligible for the implementation schedule in subsection (b) if the employer:

(1) employs 25 or fewer employees;

(2) has tax exempt status under Section 501(c)(3) of the Internal Revenue Code; or

(3) provides:

(A) "home health services" as defined by 42 C.F.R. § 440.70 or "home or community-based services" as defined by 42 C.F.R. § 440.180;

(B) receives at least 75% of gross revenues through state and federal Medicaid programs; and

(C) is certified by the Office of Human Rights as meeting the requirements of subparagraphs (A) and (B).

(d) For the purposes of subsections (a) and (b), an employer's number of employees must be calculated based upon the employer's average number of employees per calendar week during the preceding calendar year for each week at least one employee worked for compensation. For employers that did not have any employees during the preceding calendar year, the employer's number of employees must be calculated based upon the average number of employees who worked for compensation per calendar week during the first 90 calendar days of the current year in which the employer engaged in business.

(e) (1) On or before January 31 of each year beginning in 2018 through 2022, to ensure that economic conditions can support a minimum wage increase, the Director of Finance must determine and certify to the Executive and Council if:

(A) total private employment for Montgomery County decreased by 1.5% over the period from April 1 to June 30 of the previous year. The calculation must compare total private employment in June to total private employment in April, as reported by the Maryland State Department of Labor, Licensing, and Regulation's Quarterly Census of Employment and Wages data series;

(B) total private employment for Montgomery County decreased by 2.0% over the period from January 1 to June 30 of the previous year. The calculation must compare total private employment in June to total private employment in January, as reported by the Maryland State Department of Labor, Licensing, and Regulation's Quarterly Census of Employment and Wages data series;

(C) the Gross Domestic Product of the United States, as published by the U.S. Department of Commerce, has experienced negative growth for the preceding two quarters; or

(D) the National Bureau of Economic Research has determined that the United States economy is in recession.

(2) If, in any year, the Director of Finance certifies that a condition in subparagraphs (A) through (D) of paragraph (1) occurred, the Executive may, on or before February 10 of that year, suspend the minimum wage increases scheduled under subsections (a) and (b) for that year.

(3) If the Executive suspends the scheduled minimum wage increases for a year, all dates specified in subsections (a) and (b) that follow the temporary suspension must be postponed by an additional year.

(4) The Executive must not suspend scheduled minimum wage increases under this Section more than two times.

Sec. 3. Effective Date.

This Act takes effect on July 1, 2018.

LEGISLATIVE REQUEST REPORT

Bill 28-17
Human Rights and Civil Liberties – County Minimum Wage – Amount - Annual Adjustment

DESCRIPTION:	The Bill would increase the County minimum wage that must be paid to certain employees working in the County for a private sector employer or the County government to $15.00 per hour by 2020 for employers with 26 or more employees. Employers who (1) employ 25 or fewer employees (2) have tax exempt status under Section 501(c)(3) of the Internal Revenue Code; or (3) provide "home health services" or "home or community-based services," as defined under federal Medicaid regulations and receive at least 75% of gross revenues through state and federal medical programs would be required to pay at least $15.00 per hour by 2022. It would also require annual adjustments to the County minimum wage each year beginning in 2023.
PROBLEM:	The existing County minimum wage of $11.50 per hour is insufficient to support a full-time worker in the County, and existing law does not provide for annual increases based on inflation.
GOALS AND OBJECTIVES:	To maintain a reasonable living wage for workers in the County when the State and federal minimum wage is insufficient.
COORDINATION:	Human Rights Commission, Office of Management and Budget, Department of Finance
FISCAL IMPACT:	To be requested.
ECONOMIC IMPACT:	To be requested.
EVALUATION:	To be requested.
EXPERIENCE ELSEWHERE:	To be researched.
SOURCE OF INFORMATION:	Josh Hamlin, Legislative Attorney, 240-777-7892
APPLICATION WITHIN MUNICIPALITIES:	To be researched.
PENALTIES:	Class A civil citation and equitable relief.

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OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

January 23, 2017

TO: Roger Berliner, President
County Council

FROM: Isiah Leggett, County Executive

SUBJECT: Bill 12-16, Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment

There continues to be a great deal of discussion since the passage of Bill 12-16, Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment, and my position regarding this bill. I understand that there is a strong interest by some councilmembers to even reconsider the bill. However this is no longer a possibility since this bill has been signed and transmitted to the executive branch. At present, I have only three options: sign the bill and it becomes law as is, not sign the bill and it will go into effect without my signature or veto the bill. The only way to express my position regarding this bill at this time is to reluctantly veto and return it to you with what I believe is a more reasonable path to moving the County to a $15 wage.

That said, I wish to congratulate the County Council on the very full and thoughtful discussion it held on the bill. In particular, I want to commend Councilmember Elrich for his commitment to the issue. I respect his very principled position on a matter that is extremely important to our County and the nation as a whole.

As I have said on numerous occasions, I support the effort to move toward $15 per hour over an appropriate timeframe and under certain conditions. And that sentiment was expressed by you and your Council colleagues who voted against the bill. Indeed, the Council unanimously passed Bill 27-13, the 2013 Minimum Wage bill, and we celebrated together with a public bill signing ceremony. But this year's effort became much more contentious and divided resulting in only a 5-4 majority. Many believed it went too far, too fast, and I am disappointed that we did not find a broader consensus.

It is my hope that a modified bill can be introduced in the near future and, similar to the 2013 bill, receive greater support. Such an effort would send a stronger and clearer message to our County and to the rest of the State.

While the Council adopted several amendments intended to address some of the issues I raised in my November 22, 2016 memorandum, I do not believe they went far enough to address the very serious issues that I am concerned about or to gain more widespread support. I wish to thank the Council for adopting my recommendation for the so-called "off ramp" to address concerns about increasing the minimum wage during economic downturns. Other issues, however, were not addressed satisfactorily.

As mentioned previously, Montgomery County has already put itself in the forefront on the minimum wage issue and several other initiatives to assist our more vulnerable residents. Montgomery County's minimum wage is, and will continue to be, higher than both the federal and State minimum wage, as well as that in all surrounding jurisdictions except the District of Columbia. I remain concerned, however, about the competitive disadvantage Bill 12-16 would put the County in compared to our neighboring jurisdictions. Additionally, we must realize that Bill 27-13 would put our County in a different position compared to the few jurisdictions that have already passed a $15 minimum wage. Unlike Seattle or New York City, we are not a "destination city" that draws great numbers of business travelers or tourists that will be able to afford higher costs for short-term visits. Our residents will essentially shoulder the bulk of the cost. Also, in California the $15 minimum wage does not go effect until 2022, and there is an additional one-year phase-in for small businesses with less than 26 employees. For this reason and others, we must act in a more measured way based on the best information available and the potential unintended negative impacts to Montgomery County.

While some experts may disagree, I believe in an expeditious and timely study of relevant issues on the fiscal and economic impact of an increase in the minimum wage on Montgomery County, I maintain that a study will better inform the Council on the direct and indirect impacts on private employers' bottom line as well as the impact on County government. As you know, there are very few jurisdictions that provide the array of health and human services to help vulnerable populations at the same level that Montgomery County does. For example, all things remaining equal, if the Council continues the policy of providing financial support to our non-profit partners for imposed legislated wage adjustments, when the minimum wage reaches $15, there will be a significant financial impact to the County. The County's budget for Developmental Disability providers alone would be $21.1 million over the current FY17 base of $13.8 million. Based on our current budget projections, this would be a very difficult amount to absorb, and this does not address the challenge faced by all of our non-profit partners.

Another example of the financial impact of the increase in the minimum wage comes from our Medicaid providers. I will send to you separately a letter and data I received a few days ago. In sum, they estimate that the move to $15/hour will result in an approximate 5.5% increase in the cost of operations each year. Unlike some businesses, Medicaid providers cannot legally pass these increases on to the consumer and will be unable to absorb the significant increased costs.

It is my view that a study addressing these issues can be accomplished in a relatively short time. I propose that it be completed by no later than July of this year. This study would give the Council ample time to propose and enact a new bill long before the first new increment under Bill 12-16 would have taken effect.

In my November 22, 2016 memorandum, I urged the Council to consider a longer timeframe for raising the County minimum wage, noting that California would not reach $15 until 2022. While the Council provided an extension to 2022 for small employers (25 or fewer employees), the bill retained 2020 as the date for the County minimum to reach $15/hour for all other employers. I think that is too fast and believe we should not reach $15/hour for all employees until 2022. In addition, small employers will be hit particularly hard, and thus should be exempted entirely from the increased minimum wage requirement.

In summary, for me to fully agree with a bill, it should:

- Be based on an expeditious study on the direct and indirect financial impacts on private employers, non-profits and County government;
- Include an exemption for small business, the definition of which can be informed by the study;
- Include an exemption for youth workers; and,
- Provide for reaching $15/hour in 2022

It is clear that there is broad support in the community and on the Council for an increase in the minimum wage to $15/hour. The real questions are how quickly we get there and what exemptions should be made. By adopting a revised bill that addresses these issues, I believe we can work toward a broader consensus and a better outcome for Montgomery County residents and businesses.

Code of Federal Regulations
Title 42. Public Health
Chapter IV. Centers for Medicare & Medicaid Services, Department of Health and Human Services (Refs & Annos)
Subchapter C. Medical Assistance Programs
Part 440. Services: General Provisions (Refs & Annos)
Subpart A. Definitions

42 C.F.R. § 440.70

§ 440.70 Home health services.

Effective: July 1, 2016
Currentness

(a) "Home health services" means the services in paragraph (b) of this section that are provided to a beneficiary—

(1) At his place of residence, as specified in paragraph (c) of this section; and

(2) On his or her physician's orders as part of a written plan of care that the physician reviews every 60 days, except as specified in paragraph (b)(3) of this section.

(b) Home health services include the following services and items. Paragraphs (b)(1), (2) and (3) of this section are required services and items that must be covered according to the home health coverage parameters. Services in paragraph (b)(4) of this section are optional. Coverage of home health services cannot be contingent upon the beneficiary needing nursing or therapy services.

(1) Nursing service, as defined in the State Nurse Practice Act, that is provided on a part-time or intermittent basis by a home health agency as defined in paragraph (d) of this section, or if there is no agency in the area, a registered nurse who—

(i) Is currently licensed to practice in the State;

(ii) Receives written orders from the patient's physician;

(iii) Documents the care and services provided; and

(iv) Has had orientation to acceptable clinical and administrative recordkeeping from a health department nurse.

(2) Home health aide service provided by a home health agency,

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(3) Medical supplies, equipment, and appliances suitable for use in any setting in which normal life activities take place, as defined at § 440.70(c)(1).

(i) Supplies are health care related items that are consumable or disposable, or cannot withstand repeated use by more than one individual, that are required to address an individual medical disability, illness or injury.

(ii) Equipment and appliances are items that are primarily and customarily used to serve a medical purpose, generally are not useful to an individual in the absence of a disability, illness or injury, can withstand repeated use, and can be reusable or removable. State Medicaid coverage of equipment and appliances is not restricted to the items covered as durable medical equipment in the Medicare program.

(iii) A beneficiary's need for medical supplies, equipment, and appliances must be reviewed by a physician annually.

(iv) Frequency of further physician review of a beneficiary's continuing need for the items is determined on a case-by-case basis, based on the nature of the item prescribed;

(v) States can have a list of preapproved medical equipment supplies and appliances for administrative ease but States are prohibited from having absolute exclusions of coverage on medical equipment, supplies, or appliances. States must have processes and criteria for requesting medical equipment that is made available to individuals to request items not on the State's list. The procedure must use reasonable and specific criteria to assess items for coverage. When denying a request, a State must inform the beneficiary of the right to a fair hearing.

(4) Physical therapy, occupational therapy, or speech pathology and audiology services, provided by a home health agency or by a facility licensed by the State to provide medical rehabilitation services. (See § 441.15 of this subchapter.)

(c) A beneficiary's place of residence, for home health services, does not include a hospital, nursing facility, or intermediate care facility for individuals with intellectual disabilities, except for home health services in an intermediate care facility for Individuals with Intellectual Disabilities that are not required to be provided by the facility under subpart I of part 483. For example, a registered nurse may provide short-term care for a beneficiary in an intermediate care facility for Individuals with Intellectual Disabilities during an acute illness to avoid the beneficiary's transfer to a nursing facility.

(1) Nothing in this section should be read to prohibit a beneficiary from receiving home health services in any setting in which normal life activities take place, other than a hospital, nursing facility; intermediate care facility for individuals with intellectual disabilities; or any setting in which payment is or could be made under Medicaid for inpatient services that include room and board. Home health services cannot be limited to services furnished to beneficiaries who are homebound.

(2) Additional services or service hours may, at the State's option, be authorized to account for medical needs that arise in the settings home health services are provided.

(d) "Home health agency" means a public or private agency or organization, or part of an agency or organization, that meets requirements for participation in Medicare, including the capitalization requirements under § 489.28 of this chapter.

(e) A "facility licensed by the State to provide medical rehabilitation services" means a facility that—

(1) Provides therapy services for the primary purpose of assisting in the rehabilitation of disabled individuals through an integrated program of—

(i) Medical evaluation and services; and

(ii) Psychological, social, or vocational evaluation and services; and

(2) Is operated under competent medical supervision either—

(i) In connection with a hospital; or

(ii) As a facility in which all medical and related health services are prescribed by or under the direction of individuals licensed to practice medicine or surgery in the State.

(f) No payment may be made for services referenced in paragraphs (b)(1) through (4) of this section, unless the physician referenced in paragraph (a)(2) of this section or for medical equipment, the allowed non-physician practitioner, as described in paragraph (f)(3)(ii) through (v), with the exception of certified nurse-midwives, as described in paragraph (f)(3)(iii) documents that there was a face-to-face encounter with the beneficiary that meets the following requirements:

(1) For the initiation of home health services, the face-to-face encounter must be related to the primary reason the beneficiary requires home health services and must occur within the 90 days before or within the 30 days after the start of the services.

(2) For the initiation of medical equipment, the face-to-face encounter must be related to the primary reason the beneficiary requires medical equipment and must occur no more than 6 months prior to the start of services.

(3) The face-to-face encounter may be conducted by one of the following practitioners:

(i) The physician referenced in paragraph (a)(2) of this section;

(ii) A nurse practitioner or clinical nurse specialist, as those terms are defined in section 1861(aa)(5) of the Act, working in collaboration with the physician referenced in paragraph (a) of this section, in accordance with State law;

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(iii) A certified nurse midwife, as defined in section 1861(gg) of the Act, as authorized by State law;

(iv) A physician assistant, as defined in section 1861(aa)(5) of the Act, under the supervision of the physician referenced in paragraph (a) of this section; or

(v) For beneficiaries admitted to home health immediately after an acute or post-acute stay, the attending acute or post-acute physician.

(4) The allowed non-physician practitioner, as described in paragraph (f)(3)(ii) through (v) of this section, performing the face-to-face encounter must communicate the clinical findings of that face-to-face encounter to the ordering physician. Those clinical findings must be incorporated into a written or electronic document included in the beneficiary's medical record.

(5) To assure clinical correlation between the face-to-face encounter and the associated home health services, the physician responsible for ordering the services must:

(i) Document the face-to-face encounter which is related to the primary reason the patient requires home health services, occurred within the required timeframes prior to the start of home health services.

(ii) Must indicate the practitioner who conducted the encounter, and the date of the encounter.

(6) The face-to-face encounter may occur through telehealth, as implemented by the State.

(g)(1) No payment may be made for medical equipment, supplies, or appliances referenced in paragraph (b)(3) of this section to the extent that a face-to-face encounter requirement would apply as durable medical equipment (DME) under the Medicare program, unless the physician referenced in paragraph (a)(2) of this section or allowed non-physician practitioner, as described in paragraph (f)(3)(ii) through (v) of this section documents a face-to-face encounter with the beneficiary consistent with the requirements of paragraph (f) of this section except as indicated in paragraph (g)(2) of this section.

(2) The face-to-face encounter may be performed by any of the practitioners described in paragraph (f)(3) of this section, with the exception of certified nurse-midwives, as described in paragraph (f)(3)(iii) of this section.

Credits

[43 FR 45224, Sept. 29, 1978, as amended at 45 FR 24888, April 11, 1980; 62 FR 47902, Sept. 11, 1997; 62 FR 49726, Sept. 23, 1997; 63 FR 310, Jan. 5, 1998; 81 FR 5566, Feb. 2, 2016]

SOURCE: 43 FR 45224, Sept. 29, 1978; 51 FR 41338, Nov. 14, 1986; 77 FR 29028, May 16, 2012, unless otherwise noted.

AUTHORITY: Sec. 1102 of the Social Security Act (42 U.S.C. 1302).

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Notes of Decisions (35)

Current through July 6, 2017; 82 FR 31277.

End of Document

Code of Federal Regulations
Title 42. Public Health
Chapter IV. Centers for Medicare & Medicaid Services, Department of Health and Human Services (Refs & Annos)
Subchapter C. Medical Assistance Programs
Part 440. Services: General Provisions (Refs & Annos)
Subpart A. Definitions

42 C.F.R. § 440.180

§ 440.180 Home and community-based waiver services.

Effective: March 17, 2014
Currentness

(a) Description and requirements for services. "Home or community-based services" means services, not otherwise furnished under the State's Medicaid plan, that are furnished under a waiver granted under the provisions of part 441, subpart G of this chapter.

(1) These services may consist of any or all of the services listed in paragraph (b) of this section, as those services are defined by the agency and approved by CMS.

(2) The services must meet the standards specified in § 441.302(a) of this chapter concerning health and welfare assurances.

(3) The services are subject to the limits on FFP described in § 441.310 of this chapter.

(b) Included services. Home or community-based services may include the following services, as they are defined by the agency and approved by CMS:

(1) Case management services.

(2) Homemaker services.

(3) Home health aide services.

(4) Personal care services.

(5) Adult day health services.

(6) Habilitation services.

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(7) Respite care services.

(8) Day treatment or other partial hospitalization services, psychosocial rehabilitation services and clinic services (whether or not furnished in a facility) for individuals with chronic mental illness, subject to the conditions specified in paragraph (d) of this section.

(9) Other services requested by the agency and approved by CMS as cost effective and necessary to avoid institutionalization.

(c) Expanded habilitation services, effective October 1, 1997—

(1) General rule. Expanded habilitation services are those services specified in paragraph (c)(2) of this section.

(2) Services included. The agency may include as expanded habilitation services the following services:

(i) Prevocational services, which means services that prepare an individual for paid or unpaid employment and that are not job-task oriented but are, instead, aimed at a generalized result. These services may include, for example, teaching an individual such concepts as compliance, attendance, task completion, problem solving and safety. Prevocational services are distinguishable from noncovered vocational services by the following criteria:

(A) The services are provided to persons who are not expected to be able to join the general work force or participate in a transitional sheltered workshop within one year (excluding supported employment programs).

(B) If the beneficiaries are compensated, they are compensated at less than 50 percent of the minimum wage;

(C) The services include activities which are not primarily directed at teaching specific job skills but at underlying habilitative goals (for example, attention span, motor skills); and

(D) The services are reflected in a plan of care directed to habilitative rather than explicit employment objectives.

(ii) Educational services, which means special education and related services (as defined in sections 602(16) and (17) of the Education of the Handicapped Act) (20 U.S.C. 1401 (16 and 17)) to the extent they are not prohibited under paragraph (c)(3)(i) of this section.

(iii) Supported employment services, which facilitate paid employment, that are—

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(A) Provided to persons for whom competitive employment at or above the minimum wage is unlikely and who, because of their disabilities, need intensive ongoing support to perform in a work setting;

(B) Conducted in a variety of settings, particularly worksites in which persons without disabilities are employed; and

(C) Defined as any combination of special supervisory services, training, transportation, and adaptive equipment that the State demonstrates are essential for persons to engage in paid employment and that are not normally required for nondisabled persons engaged in competitive employment.

(3) Services not included. The following services may not be included as habilitation services:

(i) Special education and related services (as defined in sections 602(16) and (17) of the Education of the Handicapped Act) (20 U.S.C. 1401 (16) and (17)) that are otherwise available to the individual through a local educational agency.

(ii) Vocational rehabilitation services that are otherwise available to the individual through a program funded under section 110 of the Rehabilitation Act of 1973 (29 U.S.C. 730).

(d) Services for the chronically mentally ill—

(1) Services included. Services listed in paragraph (b)(8) of this section include those provided to individuals who have been diagnosed as being chronically mentally ill, for which the agency has requested approval as part of either a new waiver request or a renewal and which have been approved by CMS on or after October 21, 1986.

(2) Services not included. Any home and community-based service, including those indicated in paragraph (b)(8) of this section, may not be included in home and community-based service waivers for the following individuals:

(i) For individuals aged 22 through 64 who, absent the waiver, would be institutionalized in an institution for mental diseases (IMD); and, therefore, subject to the limitation on IMDs specified in § 435.1009(a)(2) of this chapter.

(ii) For individuals, not meeting the age requirements described in paragraph (d)(2)(i) of this section, who, absent the waiver, would be placed in an IMD in those States that have not opted to include the benefits defined in § 440.140 or § 440.160.

Credits

[46 FR 48540, Oct. 1, 1981; 50 FR 10026, March 13, 1985; 59 FR 37716, July 25, 1994; 65 FR 60107, Oct. 10, 2000; 71 FR 39229, July 12, 2006; 72 FR 38690, July 13, 2007; 79 FR 3029, Jan. 16, 2014]

SOURCE: 43 FR 45224, Sept. 29, 1978; 51 FR 41338, Nov. 14, 1986; 77 FR 29028, May 16, 2012, unless otherwise noted.

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AUTHORITY: Sec. 1102 of the Social Security Act (42 U.S.C. 1302).

Notes of Decisions (19)

Current through July 6, 2017; 82 FR 31277.

End of Document

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OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

August 1, 2017

TO: Roger Berliner, President
Montgomery County Council

FROM: Isiah Leggett, County Executive

SUBJECT: Minimum Wage Increase Impact Study

I am forwarding the report from Public Financial Management (PFM) Group Consulting, LLC, "Montgomery County, Maryland Minimum Wage Increase Impact Study." As I indicated in my message vetoing Bill 12-16, a study of the relevant issues of the impact of an increase in the County minimum wage would provide critical information for the Council as it considers new legislation.

The report addresses the following impacts: the impact on the County economy and labor market; the impact on the County government; the impact on County businesses; and the socioeconomic impacts. The report is comprehensive and compelling, and I would suggest that PFM present its findings to the Council in a briefing to address questions Council members might have about the report. Executive Branch staff are available to coordinate that briefing.

IL/ae

Montgomery County, Maryland

Minimum Wage Increase Impact Study

July 31, 2017

PFM Group Consulting, LLC
1735 Market St
43rd Floor
Philadelphia, PA 19103

Executive Summary

In April 2016, five members of the Montgomery County Council introduced Bill 12-16 to increase the County's minimum wage to $15.00 per hour by July 1, 2020.[1] The Council passed the bill on a 5-4 vote, but it was vetoed by County Executive Isiah Leggett, who called for additional study into the potential economic impact of the increase.

This study addresses issues raised by the County Executive from four perspectives: the impact on County government, the impact on the County workforce and budget, the impact on the County economy and businesses, and the socioeconomic impact. As the findings detail, there are significant potential benefits, as well as significant economic costs associated with moving to a higher County minimum wage as proposed by Bill 12-16.

There is a significant body of research around the impacts of an increase in the minimum wage. In general, the primary benefit from an increase in the minimum wage is heightened earnings that improve the standard of living for low-wage workers. This greater purchasing power leads to improved mental health, morale, and decreased stress. The broader impacts from increased earnings include a potential reduction of poverty and overall wage inequality. Additional research has shown a connection between a higher minimum wage and a reduction in hunger and food insecurity.

Conversely, as the impact analysis conducted for the study shows, an increase in the County minimum wage would increase personnel and contract costs to the County, as well as prompt job loss and a loss of income due to these job losses. The projected loss of jobs and income would result from the actions County business owners would be expected to take in response to an increase in the minimum wage. These would include laying off employees, cutting hours and benefits, reducing training programs, and, in the extreme, possible business closures or relocation.

In short, the benefits from a minimum wage increase have the potential to be significant. However, workers who lose their jobs or are not hired as a result will not experience them.

The specific impacts of a minimum wage increase may vary depending on a variety of factors. For example, a tight labor market might ameliorate the potential job losses, while an economic downturn might exacerbate projected job and income losses. As it relates to the minimum wage increase, the County might consider additional exemptions or exceptions for small businesses or non-profits, provide a different youth worker or training wage, or provide an "off ramp" provision that halts scheduled increases during an economic downturn. Each of these changes could alter the impact of the legislation on impacted individuals and businesses.

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[1] By 2022 for businesses with 25 or fewer employees

Findings

Given the multiple potential impacts from an increase in the County minimum wage, the findings have been organized into broad categories. These encompass the impact on the County, local economy, County businesses, and socioeconomic impact.

Impact on the County Economy

1. **Based on the study's assumptions, the County is projected to experience a loss of approximately 47,000 jobs by 2022 as a result of an increase in the minimum wage from its July 2017 level of $11.50 to $15.00 per hour.** The majority of the projected job loss – approximately 45,300 positions – will be experienced by workers in low-wage positions.

Table 23: Direct Economic Impact - Jobs

Calendar Year	Direct Jobs Lost
2017	18,318
2018	22,566
2019	35,587
2020	44,215
2021	44,797
2022	45,384

2. **As a result of the projected job losses, the aggregate estimated loss of income in the County would be approximately $396.5 million from 2017 to 2022.** This figure is the net amount after accounting for loss of income among those who have lost their jobs, and those who received a higher take home pay as a result of Bill 12-16. The aggregate income loss associated with job reductions arising from a higher minimum wage is consistently greater than the baseline income projection at the current minimum wage level, even accounting for the increased income for those who remain employed.

Table 24: Direct and Indirect Economic Impacts - Income

Year	Direct Income Lost	Indirect Income Lost	Total Income Lost
2017	$240,785,166	$39,681,395	$280,466,561
2018	$224,287,542	$36,962,587	$261,250,129
2019	$329,383,264	$54,282,362	$383,665,626
2020	$331,996,865	$54,713,083	$386,709,948
2021	$336,195,663	$55,405,045	$391,600,709
2022	$340,410,235	$56,099,607	$396,509,842

3. **Survey and focus group responses indicate that $11.00 per hour is approximately the market rate for Montgomery County where employers are able to attract and retain quality lower-wage employees.** Economic research shows that increasing the minimum wage beyond the market rate causes increased job loss as more people are seeking jobs but companies are looking to hire fewer employees. Given the current minimum wage in the County is $11.50 per hour, this suggests that current policy is reflective of the market, and not likely to cause substantial disruption if left in place. The market rate is specific to a particular location and will change over time.

Impact on County Government

1. **The County budget is projected to require an additional cumulative funding of $10.0 million from FY2019 to FY2023 because of adjustments to the Minimum Wage/Seasonal Salary Schedule to reflect the new minimum wage and avoid wage compression.** This reflects the impact of adjustments for employees on the minimum wage/seasonal schedule. It does not include the costs for adjustments to the other County salary schedules, which are collectively bargained. Should these other schedules and employee pay be adjusted to avoid wage compression for higher-earning County employees, the total cost of the salary adjustment will increase. This will also increase the County's pension liability for eligible employees.

2. **The County would also experience a projected loss of income tax revenue of $40.9 million from FY2018 to FY2022.** These projections are based on the projected direct job losses among low-wage workers that will occur as a result of the minimum wage increase.

3. **The County is likely to see an increase in contract costs, as businesses subject to its Prevailing and Living Wage Statutes will pass on to the County its increased personnel costs driven by the minimum wage increase.** The project team was unable to quantify these costs due to data availability issues.

Impact on County Businesses

1. **Survey responses and focus group feedback suggest that County businesses are likely to lay off employees, replace unskilled or lower-educated employees with more qualified employees, cut remaining employee hours and benefits, suspend existing plans to invest in new locations or hire additional employees, and, at worst, close their businesses in responses to rising personnel costs driven by a minimum wage increase. The survey results are summarized in the following table.**

Table 33: How likely are you to do any of the following if the minimum wage increases to $15.00 per hour? (Employee Impacts)

	Very Unlikely	N/A/Don't Know	Very Likely
Reduce hiring	24.3%	12.5%	**63.2%**
Reduce hours per employee	27.7%	13.1%	**59.2%**
Reduce number of employees	27.3%	15.3%	**57.4%**
Decrease benefit offerings to hourly employees	28.3%	19.4%	**52.3%**
Increase experience required for employees	33.8%	16.0%	**50.1%**
Increase education required for employees	42.9%	21.1%	**36.0%**
Reduce training	55.8%	20.5%	**23.8%**

Business owners indicated that the level of job loss would accelerate as the minimum wage rose, estimating that they would reduce their lower-wage workforce by an average of 23 percent should the minimum wage reach $15.00 per hour. This sentiment aligns with minimum wage impact analysis done by Neumark, which showed that low-wage workers are the cohort most likely to lose jobs as the minimum wage increases. This is compounded by the County's schedule of five increases over a period of time (compared to a one-time increase, as was evaluated in other studies). A recent study of Seattle's minimum wage ordinance, which also features a series of increases to $15.00 per hour, indicated that low-wage workers experienced a decline in both the hours worked and number of jobs.

2. **Prior research indicates that a minimum wage increase would have benefits for employers as well.** Higher earnings tend to improve employee morale, which would reduce turnover and the costs associated with hiring and training new employees. Additionally, research indicates that employee productivity can increase as the result of a wage increase, either through employees working "harder and smarter," replacement of unskilled labor with more qualified employees, or increased use of automation.

3. **Survey and focus group responses indicate philosophical support for minimum wage increases, particularly among representatives of non-profit organizations.** However, non-profit organizations raise significant concerns that increased personnel costs will force a reduction in critical community services. Given the low-wage worker job loss projections, these cuts may come at a time when demand for services among unemployed individuals in the County will be increasing.

4. **Non-profit organization feedback indicated that the proposed increases under Bill 12-16 would cause them to seek funding increases and look to new funding sources.** In many instances, funding formulas and other program constraints mean that there is little opportunity for non-profit organizations (and the programs they run) to pass along additional costs. Because new sources of grants and private funders are limited, this would mean that they would primarily rely on seeking additional funds from the County.

Socioeconomic Impacts

1. **Research indicates that increasing the minimum wage would have socioeconomic benefits for employees.** Increased wages are associated with improved mental health, reduced hunger and decreased stress for workers and their families.

2. **Raising the minimum wage may also reduce wage inequality, particularly given the number of women working at or below the minimum wage level.** This may have a significant impact given the number of women who receive minimum wages.

3. **Non-profit and focus group feedback indicated that the proposed increases under Bill 12-16 would cause non-profits to seek funding increases and look to new funding sources.** This would include asking the County for additional funds as well as looking to grants and private funders.

4. **The business owners interviewed were often supportive of raising the minimum wage and providing a true living wage for their employees.** However, there were doubts that their organization could withstand the increase and remain profitable.

5. **The majority of minimum wage earners would continue to be eligible for social programs with a minimum wage increase to $15.00 per hour.** Workers currently eligible for program benefits while earning $11.50 per hour would remain eligible for the same program after raising the minimum wage beyond $11.50 per hour.

Modifications to Minimum Wage Increase Structure

1. **There was support among County business owners for a subminimum wage rate for workers during their initial training period.** While most business owners indicated that the youth worker subminimum rate of 85 percent of the County minimum wage rate would be acceptable, to make the rate meaningful for them from a business perspective, they need the ability to pay that rate for more than the six months allowed under State law.

2. **While some benchmark jurisdictions have alternate phase-in schedules for their minimum wage increases, none of them completely exempt small businesses.** While a complete exemption for small businesses is not common, should the County consider altering the 2016 increase proposal to include one, it would need to weigh the impact of its definition of a "small business" against the desired breadth of impact it desires the increase to have.

Conclusion

The proposed increase in the County minimum wage has the potential to provide some important benefits. An increase in earnings for low-wage County workers will have tangible positive impacts for low-income workers and their families. This should also lead to reductions in poverty, improvement in mental health and a reduction in hunger and stress among minimum wage workers. From the perspective of County employers, additional research shows a relationship between higher wages and employee productivity and morale, which would reduce turnover and the costs associated with hiring and training new employees.

At the same time, it is also projected that the wage increase will lead to a significant loss of low-wage jobs. This loss of jobs would lead to a loss of income among County residents. This also has the spillover effect of reduced income tax revenue for the County. Additionally, an increase in the minimum wage will lead to a cost for the County to bring its own salary schedules in line with the new wage rate to avoid wage compression. It may also require the County to increase its funding for non-profit organizations to ensure that they can maintain essential services.

Ultimately, the decision on how to proceed will require the weighing of multiple issues and impacts. It is likely that multiple stakeholders and policymakers will find support for their respective (even if dissimilar) positions from the findings and analysis within this study. This is, after all, a topic that has generated – and will continue to be the subject of – considerable debate. The project team believes that the economic, financial and socioeconomic analysis from this study will advance the discussion of key public policy issues in Montgomery County and beyond.

MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

ROGER BERLINER
COUNCIL PRESIDENT
DISTRICT 1

CHAIRMAN
TRANSPORTATION, INFRASTRUCTURE
ENERGY & ENVIRONMENT COMMITTEE

August 15, 2017

TO: Isiah Leggett, County Executive

FROM: Roger Berliner, Council President

SUBJECT: Questions for PFM, re: Minimum Wage Impact Study

On July 31, 2017, the Council received the Minimum Wage Impact Study conducted by PFM, and the Council plans to meet with the consultants on September 19, 2017 to discuss the study.

Thank you for sharing your letter to PFM this morning asking them to re-evaluate the methodologies used in the study. As we discussed yesterday, attached are a list of questions for PFM from the Council for the purpose of better understanding the study, its methodologies, and its findings.

The Council requests that your staff forward these questions to PFM and that PFM provide written answers to the Council by September 5, 2017 to include in the packet and augment the discussion for the September 19 briefing. Thank you for your assistance with this matter.

c: Councilmembers
Bonnie Kirkland
Alex Espinosa

Attachment

STELLA B. WERNER OFFICE BUILDING · 100 MARYLAND AVENUE, 6TH FLOOR, ROCKVILLE, MARYLAND 20850
240-777-7828 OR 240-777-7900, TTY 240-777-7914, FAX 240-777-7989
WWW.MONTGOMERYCOUNTYMD.GOV

Attachment
Montgomery County Council's Questions on PFM's Minimum Wage Increase Impact Study

I. Data Collection

1) Did PFM consider alternative approaches to estimate the impact on the County's minimum wage increase?
    a. If so, please provide the approaches that were considered.
    b. Why did PFM choose the approach in the final report?
2) Can PFM provide the list of questions that were asked during the interviews and focus groups? If the set of questions were different for each, please provide both.
3) What sources were used to identify business owners for the interviews, focus groups, and surveys?
4) What types of supporting documentation were requested for substantiating claims by business owners?
5) Can PFM clarify how the electronic survey was administered?
    a. Was the survey design specified by the Executive or was it PFM's proposal?
    b. Were the survey questions or wording provided, edited, or approved by the Executive?
    c. How were businesses identified for the survey? In addition,
        i. How did PFM verify that the selected businesses had employees?
    d. What was PFM's process to ensure that the data collected was representative of the business population in Montgomery County? In addition,
        i. What efforts, if any, were made to contact immigrant businesses and/or business owners not proficient in English?
        ii. Was the survey available in other languages other than English?
    e. How did PFM control for reliability of the survey responses? In addition,
        i. How did PFM check that the respondents' responses were accurate?
        ii. How did PFM control for how its survey questions could illicit certain responses? Many questions appear leading (e.g., it is assumed that businesses will reduce training because of the increase in minimum wage, not increase it or keep it the same).
6) Was Table 16 on page 42 (i.e., the "Elasticity Exercise") provided to businesses through the electronic survey? The table is not included with the survey questions in the appendices.
    a. If the table was not provided with the survey, how was this question administered to County businesses?
        i. How were businesses identified to complete the table?
        ii. What was PFM's process to ensure that the data collected was representative of the population in Montgomery County?
        iii. How did PFM control for reliability of the survey responses?
    b. Why did the table begin at $11.50 per hour but retain the "cumulative [percent] increase" from $9.55?
    c. Did PFM calculate a margin of error for these responses? In other words, what confidence does PFM ascribe to the top-line projections?
        i. If so, can PFM provide the margin of error that was applied when calculating the direct impact from the minimum wage increase (i.e., was it 47,000 jobs lost + or - 500 jobs)?

II. Jobs - Direct Impact Calculation

1) How did PFM account for jobs in Frederick County when utilizing the Silver Spring-Frederick-Rockville dataset to estimate and project the number of "low-wage jobs" in Montgomery County?
2) Why was $9.55 chosen as the base rate for calculating the percent increase in the minimum wage?
3) Can PFM define what was meant by "usable response" on page 42? In addition,
    a. What process did PFM utilize to determine which survey responses were "usable" and those that were not "usable"?
4) Can PFM provide a step-by-step computation for analyses in Table 21 (i.e., the "Direct Impact") and clarify in writing how the derived elasticities were applied to determine the direct impact? It appears that the elasticities are applied as a direct percent reduction.
5) How does PFM justify its projected job loss when compared to the sample jurisdictions included on page 112, which detail a more subdued impact?
6) How did PFM account for the overall changes in the national and regional economy (e.g., national contraction or expansion in the labor market)?
7) Assuming the same derived elasticity, what would be the direct impact from the previous minimum wage bill in 2013? Including,
    a. How many businesses opened and closed?
    b. How many jobs were created or lost?
8) Did PFM consider if/how the impact would differ for low-income seniors?
    a. If so, can PFM provide details about how this population group would be impacted by the increase in minimum wage?

III. County Impact

1) Based on the projected impact for S-level County employees, can PFM provide an estimated impact or range of impact to the County for other salaried positions? Realizing that these schedules are negotiated, it still would be of benefit to the Council to recognize a potential range.
2) Did PFM request the HHS report that estimated the increase for County contract costs referenced on page 74?
    a. If so, why was it not provided to PFM?
    b. If not, why did PFM not request it but reference it?
    c. Based on PFM's analysis on prevailing wage requirements for the County's contracts, does PFM believe that the $20 million increase is reasonable?
3) What other options are available to the County that benefit low-wage workers but the cost is not born by the general population through a tax increase (e.g., EITC Program)?

IV. Data Requests

1) Can PFM provide a table that aggregates all responses for the business and non-profit surveys?
2) Can PFM provide the calculated number of "low-wage jobs" by occupation (Table 14) for 2017-2022?

V. Miscellaneous

1) Why was there no analysis on the costs of poverty, both from the household perspective and the County's fiscal perspective?
2) Why did PFM cite only one source (Neumark) for the foundation of its analysis when there is a large body of economic studies that suggest a minimum wage increase would have minimal or negligible impact?

3) Why does PFM only cite the Seattle report that suggest the result was a decrease in jobs and wages when there is another study suggesting the opposite?
4) Can PFM clarify how many jobs in Montgomery County currently earn minimum wage?
5) Did PFM's projections account for a potential rise in consumer spending following a rise in the minimum wage?

OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

August 15, 2017

Mr. Randall Bauer
Director
PFM Group Consulting, LLC
801 Grand Avenue, Suite 3300
Des Moines, IA 50309

Dear Mr. Bauer:

The purpose of this letter is to formally request that Public Financial Management (PFM) review the methodology and findings included in the report, "Minimum Wage Increase Impact Study," which was prepared for Montgomery County.

I have consistently expressed my concerns about the size of the fiscal impact especially as it relates to the number of job losses. In addition, we have received numerous inquiries from the public and from our County Council members about the job losses and how they could possibly be as high as those expressed in the conclusions of your report.

As a matter of fact, on July 7, 2017, before the report was finalized, Robert Hagedoorn with the County's Department of Finance expressed his concern in an email to PFM about the size of the economic impact and the amount of job losses included in your report. He requested at the time that you "please review the methodology and data input to make sure this is correct..." See the attached email.

And now today we have received word from your firm that there might be a problem with the methodology and calculation of fiscal impact and resulting job impacts. You have indicated that the job losses might be less than what is expressed in the report.

The County is scheduled to discuss and potentially act on the proposed legislation on this matter commencing on September 12, 2017, and therefore I am formally requesting a comprehensive review of the findings in your report. The $15 per hour minimum wage issue is an important policy decision that requires sound financial analysis. I am requesting your immediate attention to this review and I look forward to your response.

Sincerely,

Isiah Leggett
County Executive

cc: Roger Berliner, MC County Council President
Dean Kaplan, Managing Director, PFM
Michael Nadol, Managing Director, PFM

From: Hagedoorn, Robert
Sent: Friday, July 07, 2017 8:07 AM
To: 'Randall Bauer' <BAUERR@pfm.com>; Hetman,Dennis <Dennis.Hetman@montgomerycountymd.gov>; Espinosa, Alexandre A. <Alex.Espinosa@montgomerycountymd.gov>; Kirkland, Bonnie <Bonnie.Kirkland@montgomerycountymd.gov>
Cc: Alyssa Mehalick <mehalicka@pfm.com>; Meredith Brett <brettm@pfm.com>; Jay Fullenwider <fullenwiderj@pfm.com>; Jon Hokeynos <jon@txp.com>; Jeanette Rottas <jrottas@txp.com>; Maria Roberts <mfrizelle@mfrconsultants.com>; Andrew Speizman <aspeizman@mfrconsultants.com>; Jake Schwertner (mschwertner@mfrconsultants.com) <mschwertner@mfrconsultants.com>; Connor Loftus (cloftus@mfrconsultants.com) <cloftus@mfrconsultants.com>
Subject: RE: Montgomery County Minimum Wage draft report

Good morning Randy,

thanks to everyone for a great draft report. I have one remaining issue and that is the size of the job impact from raising the minimum wage. Including a small indirect effect, the total negative impact in CY2022 is close to 47,000 jobs lost. That is about 8.5% of all resident employment in the County and appears very steep to me. I saw it yesterday when reading through the report but gave it some more thought last night and decided to raise it with you and your team. I fully expect job losses due to all the economic and business reasons clearly described in the report, but that number seems very high. How does it compare to other jurisdictions?

Can you please review the methodology and data input to make sure this is correct?

thanks, Rob

Robert Hagedoorn
Chief, Division of Fiscal Management
Montgomery County, MD
240-777-8887

OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

September 13, 2017

TO: Roger Berliner, President
County Council

FROM: Isiah Leggett
County Executive

SUBJECT: Bill 28-17, Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment

The purpose of this memorandum is to transmit to the County Council a suggested approach on how to move forward on the consideration of establishing a $15 minimum wage on employers in the County. When I vetoed the original legislation, I recommended that we undertake a study of the relevant issues relating to the fiscal and economic impacts of increasing the minimum wage to $15 on our businesses, both large and small, on non-profit providers and on County government. I believed the study would help guide us to a better decision that could be based in part on the consultant's research and conclusions about the projected impacts on businesses and our economy.

Conducting an empirical study on this issue is highly challenging and has resulted in some confusion on methodology and long-term economic impacts. Because there are few communities that have adopted the minimum wage at the $15 level, there is very limited actual historical data to evaluate. The analytical basis relies on creating assumptions about what firms might do in the future. In addition, these challenges have been compounded by a performance issue with our consultant. As you know, after receiving the initial report from our consultant, Public Financial Management, Inc. (PFM), the firm discovered an error in its calculation of the economic impact and number of job losses that led them to revise the conclusions of the initial report. While PFM has addressed some of these concerns found in the initial report, my staff has a number of outstanding questions and concerns and continues working with PFM to resolve those concerns. Due to the uncertainty over whether those concerns and questions can be fully resolved in a timely manner, which could preclude addressing the overall issue now, I am recommending that the Council move forward with consideration of an amended version of Bill 28-17, Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment.

As you will recall, I vetoed the initial minimum wage legislation, Bill 12-16, before we even began considering a study. It was my belief then, and it is my belief now, that the bill was too much too fast. I felt that moving to a $15 minimum wage so quickly would put Montgomery County at a competitive disadvantage compared to our neighboring jurisdictions and lead to negative consequences. I also expressed my belief that because we are not a "destination city" that draws great numbers of business travelers and tourists for short-term visits like other jurisdictions that are moving to a $15 minimum wage, our residents would bear the burden of rising costs that would result.

It is my hope that properly modified, Bill 28-17 can move forward and garner the support of the Council and my signature. With this in mind, I would recommend the following:

- Amend the size of small employers to be 50 or fewer employees.
- Amend the timeline for reaching the $15 minimum wage to:
  - July 1, 2022 for large employers; and
  - July 1, 2024 for small employers and non-profits.
- Establish a 90-day period after employment during which an employer may pay a new employee 85% of the minimum wage.
- Enact a County opportunity wage so that the County is not automatically tied to the State opportunity wage, which is 85% of the State's minimum wage for workers under 20 years of age for the first 6 months of employment. The intent of the opportunity wage is to provide an incentive for employers to give opportunity for work experience to younger workers.

This is an issue of great importance to our community, and the Council should act expeditiously. By adopting a revised bill that addresses these issues, I believe we can work toward a broader consensus and a better outcome.

IL/bk

Agenda Item 6
January 17, 2017
Action

M E M O R A N D U M

January 13, 2017

TO: County Council

FROM: Josh Hamlin, Legislative Attorney
Gene Smith, Legislative Analyst

SUBJECT: **Action:** Bill 12-16, Human Rights and Civil Liberties – County Minimum Wage – Amount - Annual Adjustment

The Health and Human Services Committee did not make a recommendation on Bill 12-16

Bill 12-16, Human Rights and Civil Liberties – County Minimum Wage – Annual Adjustment, sponsored by Lead Sponsor Councilmember Elrich, and Co-Sponsors Councilmembers Leventhal, Riemer, Navarro and Hucker, was introduced on April 12. A public hearing on the Bill was held on June 21 and Health and Human Services Committee worksessions were held on July 11, July 18 and December 7, 2016. The Committee made no recommendation on the Bill.

Bill 12-16 would:

- increase the County minimum wage by a certain amount;
- require the Chief Administrative Officer to adjust the County minimum wage rate each year; and
- generally amend the laws governing the minimum wage

Background

In 2013, the Council enacted Bill 27-13,[1] which established a County minimum wage for private sector employees working in the County, unless the State or federal minimum wage is higher. The County minimum wage established under Bill 27-13, as amended, is phased in over several years. The rate was set at $8.40 per hour effective October 1, 2014, and increased to $9.55 per hour on October 1, 2015. It is $10.75 as of July 1 of 2016, and will go to $11.50 per hour on July 1, 2017. The County minimum wage does not apply to a worker who is exempt from the State or federal minimum wage, is under the age of 19 years and is employed no more than 20 hours per week, or subject to an "opportunity wage" under the State or federal law. Employers of tipped employees may include in the computation of their wage amount a "tip credit" not exceeding the County minimum wage less $4.00 per hour.

[1] The County minimum wage law has been amended twice since being established by Bill 27-13. Bill 59-14 modified some of the effective dates for increases, and Bill 24-15 modified the method for calculating the "tip credit" allowed to employers of tipped employees.

In 2014, the Maryland General Assembly enacted a law raising the State's minimum wage from $7.25 to $10.10 per hour over four years, with incremental increases to $8.25 in 2015, $8.75 in 2016, $9.25 in 2017, and $10.10 in 2018. The federal minimum wage is $7.25 hour and has not changed since 2009.[2] There is a nationwide effort to increase the minimum wage at the federal, state, and local levels to $15 per hour, which has thus far had some success.[3] California and New York[4] have enacted statewide laws that will increase the minimum wage for at least some workers to $15 per hour over a period of years. In the November 2016 election, voters in Maine, Arizona, and Colorado all voted to increase the minimum wage to $12 an hour by 2020, and Washington State voters approved a raise to $13.50 an hour by that year. Also in Arizona, voters in the city of Flagstaff approved an additional minimum wage initiative to increase the minimum wage in Flagstaff to $15.00 an hour in 2021 and index the minimum wage to increases in cost-of-living thereafter.

The New Jersey legislature passed a bill increasing the minimum wage there to $15 per hour, but the bill was vetoed by Governor Chris Christie.[5] The Massachusetts legislature is weighing a measure to increase the minimum wage to $15 per hour for some or all workers.[6] In this region, the District of Columbia enacted a law increasing the minimum wage to $15 per hour in 2016, and Baltimore City is currently considering a similar bill.

State laws:

Under California's new law,[7] beginning January 1, 2017, the minimum wage for employers with at least 26 employees will increase annually until it reaches $15 per hour by January 1, 2022:

- January 1, 2017 through December 31, 2017: $10.50 per hour;
- January 1, 2018 through December 31, 2018: $11 per hour;
- January 1, 2019 through December 31, 2019: $12 per hour;
- January 1, 2020 through December 31, 2020: $13 per hour;
- January 1, 2021 through December 31, 2021: $14 per hour; and
- Beginning January 1, 2022: $15 per hour.

For employers in California who employ 25 or fewer employees, the same phased increases begin a year later, in 2018, and culminate in a $15 per hour minimum wage beginning January 1, 2023. The minimum wage will then be indexed annually for inflation (national CPI) beginning the first January 1 after small businesses are at $15 per hour. The indexing may result in increases of 0 percent (but no decreases) with a ceiling of 3.5 percent per year. The law also includes so-called "off-ramp" provisions that allows the governor to pause any scheduled increase for one year if

[2] A chart showing the federal minimum wage rates from 1938-2009 is at http://www.dol.gov/whd/minwage/chart.htm

[3] A summary of jurisdictions approving some form of $15 minimum wage is at http://www.nelp.org/content/uploads/PR-Minimum-Wage-Year-End-15.pdf

[4] In March 2016, the Center on Wage and Employment Dynamics (CWED) prepared a Policy Brief examining potential impacts of a $15 per hour minimum wage in New York. That Policy Brief can be accessed at: http://irle.berkeley.edu/cwed/briefs/2016-01.pdf

[5] http://www.nj.com/politics/index.ssf/2016/08/christie_vetoes_democrats_15_an_hour_minimum_wage.html

[6] http://www.metrowestdailynews.com/article/20160605/NEWS/160607750

[7] https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB3

certain economy or budget conditions are met.[8] Once the $15 per hour minimum wage has been reached, the "off-ramp" provision expires.

The New York law, enacted as part of the State's budget, does the following:

- For workers in New York City employed by large businesses (those with at least 11 employees), the minimum wage would rise to $11 at the end of 2016, then another $2 each year after, reaching $15 on 12/31/2018.
- For workers in New York City employed by small businesses (those with 10 employees or fewer), the minimum wage would rise to $10.50 by the end of 2016, then another $1.50 each year after, reaching $15 on 12/31/2019.
- For workers in Suburban New York City (Nassau, Suffolk and Westchester Counties), the minimum wage would increase to $10 at the end of 2016, then $1 each year after, reaching $15 on 12/31/2021.
- For workers in the rest of the State, the minimum wage would increase to $9.70 at the end of 2016, then another 70 cents each year after until reaching $12.50 on 12/31/2020 – after which it will continue to increase to $15 on an indexed schedule to be set by the Director of the Division of Budget (DOB) in consultation with the Department of Labor.
- Beginning in 2019, the State DOB Director will conduct an annual analysis of the economy in each region and the effect of the minimum wage increases statewide to determine whether a temporary suspension of the scheduled increases is necessary.

Minimum wage legislation in the region:

The District of Columbia enacted a law in June increasing the minimum wage to $15 by 2020.[9] The law passed unanimously, and was signed by Mayor Muriel Bowser on June 27. It would raise the District of Columbia minimum wage – currently $11.50 – in annual increments until it reaches $15.00 by July 1, 2020. Beginning on July 1, 2021, the minimum wage will increase further based on the increase in the Consumer Price Index for All Urban Consumers for the Washington Metropolitan Statistical Area. The DC bill will also increase the tipped minimum wage from the existing $2.77 per hour, where it has been since 2005, in annual increments of 56 cents (55 cents in 2020) to $5.00 on July 1, 2020, again with annual indexing in successive years.

The City Council of Baltimore is considering a bill that would raise the City's existing minimum wage of $8.25 per hour to $10 in January 2017, and then by $1.50 a year until it reaches $15 by 2020.[10] After reaching $15 per hour, the minimum wage will be adjusted each year to match increases in the cost of living using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The Baltimore Bill also includes the gradual elimination of the lower minimum wage for tipped employees (often called the "sub-minimum"), so that by July 2025, employers would be required to pay tipped employees the full minimum wage. The bill would

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[8] *Economy conditions*: the Governor has the ability to pause an increase if seasonally adjusted statewide job growth for either the prior 3 or 6 months is negative and retail sales receipts for the prior 12 months is negative.
Budget conditions: The Governor has the ability to pause an increase if any year from the current budget year to 2 additional years is forecasted to be in "deficit" when including the next scheduled increase. A "deficit" is if the operating reserve is projected to be negative by more than 1 percent of annual revenues, currently about $1.2 billion. The budget off-ramp can only be used twice.
[9] http://lims.dccouncil.us/Legislation/B21-0712?FromSearchResults=true
[10] https://baltimore.legistar.com/LegislationDetail.aspx?ID=2692688&GUID=F0B89A4C-DD59-42FF-B459-5B40DD8E8391&Options=ID%7CText%7C&Search=minimum+wage

phase-out the sub-minimum wage for tipped employees by increasing it from the current sub-minimum wage (under Maryland law) of $3.63 per hour as follows:

- January 1, 2017: $4.50 per hour
- July 1, 2017: $5.25 per hour
- July 1, 2018: $6.00 per hour
- July 1, 2019: $7.50 per hour
- July 1, 2020: $9.00 per hour
- July 1, 2021: $10.50 per hour
- July 1, 2022: $12.00 per hour
- July 1, 2023: $14.00 per hour
- July 1, 2024: $15.00 per hour
- July 1, 2025 and thereafter: Full minimum wage

The Baltimore bill would also eliminate some exemptions under the City's existing law, and amend the enforcement provisions of the law. The bill was substantially amended in Committee, including extending the period of increases to reach $15 per hour in 2022, and exempting certain businesses. The amended bill went to the full City Council, but did not have the eight votes needed to pass. It was sent back to committee, but is expected to be considered again now that the new City Council is seated.[11]

Bill 12-16

Bill 12-16 would extend the incremental increases set in County law to go up to $15 per hour effective July 1, 2020. Under the Bill's transition provisions, the County minimum wage would increase to $12.50 in 2018, $13.75 in 2019, and $15.00 in 2020. Additionally, the Bill would require, beginning in 2021, annual adjustments to the minimum wage by the annual average increase, if any, in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the previous calendar year.

Legal Authority

Montgomery County can set its own minimum wage by law even though the State of Maryland has a minimum wage law. In *City of Baltimore v. Sitnick*, 254 Md. 303 (1969), the Maryland Court of Appeals upheld a city ordinance establishing a minimum wage standard that was higher than the State standard. In that case, the plaintiffs argued that State law had preempted the field of minimum wage. In rejecting that argument, the Court held that the City of Baltimore could pass its own minimum wage law based on the city's exercise of concurrent power because the city law did not conflict with the State law.

Fiscal and Economic Impact

The OMB and Finance Fiscal and Economic Impact statement is at ©5-12. OMB estimates a total fiscal impact in fiscal years 2018 through 2022 of $6,483,575. This estimate is based on pay increases to employees on the minimum wage/seasonal salary schedule, assuming the current number of hours worked by affected employees. The Office of Finance notes that "there is no

[11] http://www.baltimoresun.com/news/maryland/baltimore-city/bs-md-ci-minimum-wage-final-vote-20160815-story.html

consensus among economists on the effects of the minimum wage on enforcement," and concludes that it is uncertain whether increasing the minimum wage would either increase or decrease employment among low-wage workers.

Public Hearing

Forty-one people testified at the June 21 hearing, presenting a number of perspectives on the Bill. The Bill's supporters pointed out that the cost of living in Montgomery County is high, with a family of four needing $79,000 per year to independently maintain a modest standard of living (see ©13-14, SEIU and ©15-16, Community Action Board). Several supporters also requested an amendment to the Bill to increase wages paid by employers to tipped employees (see ©17-18, Progressive Maryland and ©19-20, UFCW1994). Supporters also said that increasing the minimum wage results in benefits for business, such as increased employee retention and productivity, which offset the additional fiscal burden (see ©21-23, AFL-CIO).

The Council heard from workers making at or near minimum wage and advocates of the positive effects of an increase in workers' lives (for example, see ©24-25, (Felix Kala), ©26, (Mekdes Sisay), and ©27-28, (CASA)). The benefit of increased money earned through higher wages circulating in the local economy was also cited in support of the Bill (see ©29, Boaz Young-El)

Opponents questioned whether it is necessary to legislate now a series of increases that would not begin until 2018 (see ©30-33, GGCC). Others questioned the adequacy of the Fiscal Impact Statement's estimate of the costs of an increase to the County (see ©34-35, GBCC). The Council heard from a small business employing home health aides to provide in-home care to seniors that rising labor costs would burden the business and result in seniors not getting needed care (see ©36-37, Wendy Johnson). The disproportionate impact of minimum wage increases on small businesses and young workers were also raised in opposition to the Bill (see ©38-39, Stacey Brown). Emily Bruno of Denizens Brewing Co. said the implementation of a $15 minimum wage would particularly threaten the viability of new businesses (©40-43).

The Maryland Restaurant Association said that the Bill would lead to the elimination of jobs in the restaurant industry (©44-45). Potential adverse effects on the regional competiveness of County businesses, and the cumulative impact of other worker protection mandates were also issues of concern (see ©46-49, MCCC). Another issue raised by opponents of the Bill was "wage compression," which occurs when lower-paid workers' (those making below a newly increased minimum) wages rise and the wages of workers paid at or above the new minimum do not. Jane Redicker of the Greater Silver Spring Chamber of Commerce pointed out that "increasing the minimum wage does not just impact those making minimum wage; it effects the entire salary structure." (©50-51) Afshin Abedi indicated that certain health care businesses could not pass on additional labor costs to consumers, because they are prohibited from charging Medicaid patients for services (©52-53).

Members of the County's nonprofit community pointed out that minimum wage increases would present a challenge to delivering the current level of service when State and local funding does not increase to cover additional costs. Brigid Howe of Nonprofit Montgomery said that "the choice between providing care to our most vulnerable neighbors and raising wages is a difficult one." (©54-55) The Montgomery Coalition for the Homeless offered support for the Bill, but indicated that this support is based on the assumption that the County would supply the $200,000 annual increase in labor costs (©56). Tim Wiens of Montgomery County Inter ACC/DD said that the organization shares the goal of the Bill, but estimated $20,558,048 in increased annual labor costs as a result of going from the $11.50 per hour minimum wage slated to take effect in 2017 to $15 per hour in 2020 as proposed in the Bill ©57-59).

HHS Committee Worksessions

The HHS Committee held three worksessions on the Bill, on July 11, July 18, and December 7, 2016. At the first two worksessions, the Committee considered the many issues related to continuing to increase the County minimum wage, and Committee members and other Councilmembers requested that staff research some matters further and provide additional information for the Committee's consideration. The issues considered in these two worksessions are immediately below, and the additional information requested during these worksessions is presented in the next section of this memorandum, beginning on page 20.

At the December 7, HHS worksession, eight Councilmembers were present[12] and participated in the discussion. The Committee was addressed by Carlos Jimenez of the Metro Washington Council, AFL-CIO, and Ilaya Hopkins of the Montgomery County Chamber of Commerce. Matters discussed at the first two worksessions were revisited, and the additional information requested at those worksessions was also discussed. At the worksession, Councilmembers Floreen, Katz, and Berliner all advocated pursuing a study of the impacts of the minimum wage increases already implemented pursuant to Bill 27-13 and potential impacts of the Bill's proposed increases *prior to acting on the Bill.*[13] At the conclusion of the worksession, Committee Chair Leventhal polled Committee members on their respective positions on the Bill: Councilmember Leventhal in favor, Councilmember Rice opposed, and Council President Berliner abstained. The Committee did not make any amendments, nor did it make a recommendation or take formal action on the Bill.

Items Discussed at the July Worksessions

1. Is there a need to enact this Bill quickly?

As mentioned above, by Bill 27-13, the Council created the County minimum wage and provided for the wage to be phased in over a period of years. The County minimum wage is currently $10.75, and under the provisions of Bill 27-13, as amended by Bill 59-14, will go to $11.50 per hour on July 1 of this year. This Bill would continue these annual increases in the minimum wage, beginning on July 1, 2018 and going through 2020, when the County minimum wage would reach $15 per hour, with increases indexed to inflation thereafter.

Because the first increase proposed in Bill 12-16 would not take effect for almost two years, the Council does have time to consider the possible impacts of the increases before deciding whether to enact the Bill. While giving notice well in advance of increases may be helpful for businesses in planning their expenses for future years, the Council heard from several members of the business community at the public hearing questioning the need to enact the Bill quickly without

[12] In addition to all three Committee members, Councilmembers Elrich, Floreen, Hucker, Katz, and Rice were present.

[13] Council action on whether to pursue such a study is Item 5 on the Council's January 17 agenda, immediately prior to action on Bill 12-16

careful consideration of its ramifications to County businesses. In any event, the Bill has been introduced, and has five co-sponsors, so County businesses are certainly on notice that further increases in the County minimum wage are possible.

It is true that the District of Columbia, one of the County's "regional partners" in implementing the minimum wage in 2013,[14] has already enacted a law that will provide for future increases in its minimum wage to $15 per hour by 2020. However, there are two key distinctions between the circumstances in the District and those in the County. First, under the District's 2013 law, the last increase in the minimum wage took effect on July 1, 2016, making the DC minimum wage $11.50 per hour. In this regard, the District was in the position that the County will be in later this year. Also, a ballot initiative likely to be voted on in the 2016 election would have increased the minimum wage to $15 per hour by 2020, and eliminated, by 2025, the reduced minimum wage that employers are required to pay tipped employees. The County does not face that outside pressure to act.

The move to a $15 per hour minimum wage is certainly gaining momentum nationwide, with several large cities, as well as the states of California and New York implementing increases to reach $15 over different periods of years. However, aside from SeaTac, Washington, population 27,875, no jurisdiction has yet reached that goal. The Council has the opportunity to carefully consider a number of issues related to further increases without delaying any such increases. While it is unlikely that this consideration will provide a certain, definitive path forward, it is nonetheless worth taking the time to evaluate, as well as possible under the County's specific circumstances, what effects further minimum wage increases might have.

2. What is the rationale for a $15 per hour minimum wage?

The federal minimum wage was introduced in 1938, and throughout its history, has not been considered a "living wage." Increasing the County's minimum wage would move it closer to being a "living wage,"[15] but given the cost of living in Montgomery County, independently maintaining even a modest standard of living on 40 hours a week at $15 per hour would be challenging, if not impossible. In fact, the *2012* Self-Sufficiency Standard, representing the annual income required for a family of three (one adult, one preschooler, and one school-aged child) to live in Montgomery County without financial assistance, was $ 77,933.[16] Across the nation there has been an increasingly prevalent view that there is a need to guarantee a living wage, due to the shift in the economy away from mid-wage labor to low-wage labor.[17] This view is reflected in the draft 2016 platform for the Democratic Party, which includes a $15 federal minimum wage.[18]

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[14] Council Chair Derrick Leon Davis of Prince George's County, the other "regional partner" in 2013, has indicated that it is unlikely that Prince George's will be providing for further increases at this time. *See*: https://www.washingtonpost.com/local/md-politics/this-large-dc-suburb-will-consider-a-15-an-hour-minimum-wage/2016/03/31/cfc0806a-f741-11e5-a3ce-f06b5ba21f33_story.html

[15] The County has a living wage law, applying to County contractors, which requires them to pay their employees at least $14.47 per hour. This amount is adjusted every year based on the increase in the CPI-U.

[16] http://www.montgomeryplanning.org/research/housing/rental_housing_study/documents/MD12-SSS-Final-Print-012412.pdf

[17] https://www.washingtonpost.com/news/wonk/wp/2013/02/28/how-the-recession-turned-middle-class-jobs-into-low-wage-jobs/

[18] The draft reads "Democrats believe that the current minimum wage is a starvation wage and must be increased to a living wage. No one who works full time should have to raise a family in poverty. We believe that Americans should earn at least $15 an hour and have the right to form or join a union," See: http://www.politico.com/story/2016/07/dnc-platform-draft-225046

Increasing the minimum wage would benefit working adults. According the most recent U.S. Bureau of Labor Statistics data (2014), 51.1% of workers making at or below the federal minimum wage were age 25 and older. In contrast, only 21.4 of these workers were between the ages of 16-19.[19] Increasing the minimum wage would also benefit a significant number of women, whose employment is highly concentrated in low-wage personal care and healthcare support occupations. According to a 2014 White House report, "women account for more than half (55 percent) of all workers who would benefit from increasing the federal minimum wage to $10.10."[20] It stands to reason, then, women would represent as large, and probably a larger, proportion of the beneficiaries of increasing the County minimum wage to $15.00 per hour.

The argument for increasing the minimum wage to $15 per hour posits that the increase would boost the economy by putting more money into the hands of workers who would spend it. This boost would offset increased labor costs to business, thereby reducing job losses or mitigating losses with the creation of new jobs.[21] Another rationale offered to support increasing the minimum wage is that it would reduce reliance on public assistance programs. In economic research, low wages have consistently been the leading predictor of enrollment in public assistance programs by working families.[22]

The reasons identified above are offered in support of minimum wage increases generally. The appropriate amount of a local minimum wage is another question. From 1960 to 1979, the federal minimum wage averaged 48% of the national median hourly wage, according to a recent Brookings Institution paper (*Designing Thoughtful Minimum Wage Policies at the State and Local Levels*, by Arindrajit Dube) (©60-72). Dube proposes using half of the local-area median wage as the starting point in setting an appropriate level for a local minimum wage, and then taking into account the local cost of living as a relevant consideration. In his paper he suggests that the appropriate level for a minimum wage in Maryland is between $10.85 and $11.69 per hour (in 2014$), and that the appropriate level for a minimum wage in the DC Metropolitan Statistical Area is between $11.73 and $13.51 per hour (in 2014$).

As with almost all aspects of the debate about the minimum wage, however, there is not consensus among experts. Economist Harry Holzer, in considering the then-proposed $15 minimum wage in the District of Columbia, cautioned that an increase of that magnitude may have negative consequences for workers.[23] Holzer expressed particular concern that setting the minimum wage at $15 would create incentives for businesses to move across local borders due to substantial differences in local minimum wages within the region.

3. How might the economy absorb an increase in the minimum wage to $15 per hour?

The information in this section is taken directly from the packet from Bill 27-13.[24] It provides a useful background and is equally applicable to the consideration of further increases in the County minimum wage to $15 per hour.

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[19] http://www.bls.gov/opub/reports/minimum-wage/archive/characteristics-of-minimum-wage-workers-2014.pdf
[20] https://www.whitehouse.gov/sites/default/files/docs/20140325minimumwageandwomenreportfinal.pdf
[21] http://raisetheminimumwage.org/pages/stimulus
[22] See pages 14-15 of *Local Minimum Wage Laws: Impacts on Workers, Families and Businesses* at http://murray.seattle.gov/wp-content/uploads/2014/03/UC-Berkeley-IIAC-Report-3-20-2014.pdf
[23] http://www.brookings.edu/research/opinions/2015/07/15-dollar-minimum-wage-harm-economy-holzer
[24] A review of the entire packet for Bill 27-13 provides additional background. The packet can be accessed here: http://www.montgomerycountymd.gov/COUNCIL/Resources/Files/bill/2013/Packets/20131126_7.pdf

Some labor economists perceive that there is monopsonistic competition in the low-skill, low-wage labor market—the buyer (employer) has a disproportionate amount of power in the market for low-wage, low-skill labor.[25] Governments respond to this imperfect market by requiring employers to pay minimum wages—the results of which may include increased employment (by increasing an individual worker's incentive to work), increased economic activity, and reduced poverty. Other economists argue that the labor market is competitive, and that government interference in the labor market harms both employers and employees by requiring employers to pay a wage that exceeds the marginal value of labor. These economists argue that the minimum wage thereby results in reduced demand for labor, leading to reduced employment.

The following is a summary of the economic channels through which an increase in the minimum wage might flow:

Earnings: Hourly wages for individual employees earning below the new minimum wage would increase. Increasing the wage in 2018 from $11.50 to $12.50 would clearly increase the hourly wage of workers earning $11.50 by $1.00 (↑ 8.7%). Employers may respond to changes in the minimum wage by reducing the hours of their employees—if wages are increased by 8.7% and hours are reduced by 8.7% then the employee will not experience an increase in earnings.

Wage compression: While it is easy to calculate the increase in hourly wage for a worker earning the minimum wage, it is less clear what effect an increase in the minimum wage would have on those workers currently earning $12.25 (just below the 2018 minimum wage) or $12.75 (just above the 2018 minimum wage). Employers required to pay a higher minimum wage may compress wages for workers earning above the minimum wage. In their study of the impacts of the 2007-2009 increases in the Federal minimum wage on restaurants in Georgia and Alabama, Hirsch, Kaufman and Zelenska found that almost half of the employers that they interviewed said that they would delay or limit pay increases or bonus pay for more experienced employees as a result of the increase in the Federal minimum wage.[26] Broad empirical studies of US economic data have also indicated that the minimum wage compresses wage distribution (see, e.g. DiNardo, Fortin, and Lemieux 1996).[27]

Employment: There is substantial disagreement among labor economists with respect to the economic and employment impacts of a minimum wage. For example, one think tank (the Economic Policy Institute) projected that the 2013 Harkin-Miller proposal—to increase the Federal minimum wage to $10.10 per hour—would increase total employment in Maryland by 2,000 FTEs.[28] Another think tank (the Employment Policies Institute) projected that the 2012

[25] If you tuned out at *monopsonistic* here is the short version: whereas in a monopoly a very small number of sellers enters a market place with many buyers, in a monopsony a very small number of buyers enters a market place with many sellers. In the low-wage, low-skill labor market there are many more or less interchangeable sellers of labor (potential workers), and relatively few buyers (employers). That under some circumstances employers have an advantage in this marketplace is an idea that is older than West Virginia—John Stuart Mill first opined on this topic in 1848.
[26] *Minimum wage channels of adjustment.* IZA DP 6132. http://www2.gsu.edu/~ecobth/IZA_HKZ_MinWageCoA_dp6132.pdf
[27] *Labor market institutions and the distribution of wages: 1973-1992.* http://www-personal.umich.edu/~jdinardo/Pubs/dfl1996.pdf
[28] *Raising the minimum wage to $10.10 would give working familes, and the overall economy, a much needed boost.* http://www.epi.org/publication/bp357-federal-minimum-wage-increase/

Harkin-Miller proposal—to increase the Federal minimum wage to $9.80 per hour—would reduce total employment in Maryland by approximately 3,800 to 11,500 jobs.[29]

Teen employment: Neumark and Wascher observed that past studies of the impacts of the minimum wage found that employers respond to an increase in the minimum wage by decreasing employment of younger workers.[30] Critics of Neumark and Wascher's work tend to point to the subjectivity involved in selecting which studies to include in the analysis, and to the fact that many of the studies involved were measuring the effect of a statutory minimum wage in the UK rather than in the US. A different 2009 meta-study of 64 minimum wage studies published between 1972 and 2007 tried to measure the impact of minimum wages on teenage employment. The authors (Doucouliagos and Stanley) graphed employment estimates and found that the most precise estimates were heavily clustered at or near zero effects on teen employment.[31]

Workforce composition: Allegretto, Dube and Reich (2011), in their study of employment from 1990-2009, found no statistically significant effect of the minimum wage on teens as a whole or on white, black, or Latino teens.[32] In a separate study, Dube, Lester and Reich (2012) found no evidence that employers changed the age or gender composition of the workforce in the restaurant sector in response to changes in the minimum wage.[33]

Efficiency: While the direct quantifiable evidence is sparse, Hirsch, Kaufman and Zelenska found in their interviews with restaurant managers in Georgia and Alabama that about 90% of managers planned to respond to the minimum wage increase with increased performance standards (requiring better attendance and punctuality, raising productivity expectations, faster termination of poor performers, etc.).

Turnover: Typically the turnover rate among low-wage employees is high and the cost to employers is high (in recruitment/screening costs, training, lost efficiency). Turnover is reduced when wages are higher. The savings that accrue to the employer as a result of reduced turnover may offset a portion of the cost of the wage increase. Dube, Lester, and Reich used a contiguous counties approach to study the effect of differences in minimum wages on teens and restaurant employees across US counties. They find "evidence that separations, new hires, and turnover rates for teens and restaurant workers fall substantially following a minimum wage increase."

Motivation: A higher minimum wage may motivate workers to work harder independent of any actions by employers to improve productivity. Because higher pay increases the cost to workers of losing their job, workers may work harder (increase productivity) to keep their job.

Non-wage benefits: Most low-wage workers receive few non-wage benefits. Card and Krueger, in their seminal study of the labor market behavior of restaurants in response to an increase in New Jersey's minimum wage in the 1990s, observed that the non-wage benefit most

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[29] The impact of a $9.80 Federal minimum wage. https://www.epionline.org/wp-content/uploads/2014/07/EPI_TheImpactof980FederalMinimumWage.pdf
[30] *Minimum wages and employment.* IZA DP No. 2570. http://ftp.iza.org/dp2570.pdf
[31] *Publication selection bias in minimum wage research: A meta-regression analysis.* http://onlinelibrary.wiley.com/doi/10.1111/j.1467-8543.2009.00723.x/full
[32] *Do minimum wages really reduce teen employment? Accounting for heterogeneity and selectivity in state panel data.* http://www.irle.berkeley.edu/workingpapers/166-08.pdf
[33] *Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties.* http://escholarship.org/uc/item/86w5m90m#page-1

frequently offered was free or reduced price meals.[34] Their study indicated that restaurants did not respond to an increase in the minimum wage by changing their free or reduced price meal benefits. A more recent study by Simon and Kaestner (2004) found small or no effect on non-wage benefits.[35]

Training: There is no conclusive empirical evidence that an increase in the minimum wage affects the amount of training that employees receive or the amount that employers expend on training. Neumark and Wascher tend to find negative effects of minimum wages on training, but they acknowledge that most other recent research finds no evidence of an effect. Some economists have the perspective that employers might respond to an increase in the minimum wage by increasing training (i.e., to raise productivity to a level befitting the new higher wage).

Increased demand: The minimum wage has the effect of transferring income from employers, who generally have a high savings rate, to employees, who generally have a low savings rate. This transfer could spur additional consumer spending, with the result being an increase in GDP and employment.

Pricing: Some employers might choose to increase prices in response to an increase in the minimum wage. One review of studies (Lemos, 2008) concluded that "most studies reviewed…found that a 10% US minimum wage increase raises food prices by no more than 4% and overall prices by no more than 0.4%."[36] Other studies have reached different conclusions—for example, Dube, Naidu and Reich found that prices "increased significantly" at fast food restaurants, but not at table service restaurants.[37]

Profits: Firms could accept reduced profits in response to an increase in the minimum wage. There has been very little study of this in the United States, though a study of the impact of a British minimum wage law found that profitability was negatively affected by introduction of a minimum wage.

4. Which occupations are most likely to be affected by an increase in Montgomery County's minimum wage?

In 2015, more than 143,000 workers in Montgomery and Frederick counties earned less than $13.59 (the 25th percentile wage in the Silver Spring-Frederick-Rockville Metropolitan Division).[38] In total, there are 89 occupations with median wages of $15/hour or less and average wages of $16/hour or less. Total employment in those occupations is nearly 150,000. Four broad occupational categories have average hourly wages that are below $16 per hour: healthcare support; personal care and service; building and grounds cleaning and maintenance; and food preparation and serving. The median hourly wage in each category is below $15/hour in 2015, meaning at least half of the workers in each broad/major occupational category would be directly affected by setting the minimum wage at $15/hour. In total, there are more than 100,000 workers

[34] *Minimum wages and employment: A case study of the fast food industry in New Jersey and Pennsylvania.* http://davidcard.berkeley.edu/papers/njmin-aer.pdf
[35] *Do minimum wages affect non-wage job attributes? Evidence on fringe benefits and working conditions. NBER Working Paper 9688.* http://www.nber.org/papers/w9688
[36] *The effect of the minimum wage on prices. IZA DP No. 1072.* http://ftp.iza.org/dp1072.pdf
[37] The economic effects of a citywide minimum wage. http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1293&context=ilrreview
[38] Prior to 2015, this was known as the "Bethesda-Rockville-Frederick Metropolitan Division.

employed in these occupational categories in the Metropolitan Division (or 17.7% of total employees). Of course, employees in other occupations will also be affected, though in many of those occupations much smaller percentages of workers earn wages below the $15/hour level. A more accurate estimate of the number of affected employees in Montgomery County only will require additional analysis. For more information regarding the low-wage occupations, see BLS Data (OES Series) at ©73-75.

Major Occupational Category	# of employees	Average hourly wage
Healthcare Support Occupations	16,040	$15.94
Personal Care and Service Occupations	18,980	$14.40
Building and Grounds Cleaning and Maintenance Occupations	22,110	$13.64
Food Preparation and Serving Related Occupations	44,590	$11.78
Total	***101,720***	***$13.33***

Occupations that will be most affected (by both the scheduled 2017 increase and any subsequent increases to the minimum wage) are those that pay the lowest wages. Those occupations include shampooers, amusement and recreation attendants, lifeguards, dishwashers, prep cooks, ushers and ticket takers. For each of those occupations the average wage in 2015 for workers in Silver Spring-Frederick-Rockville was at or below $10.00/hour. Montgomery County workers in those occupations are likely to be making the current minimum wage of $10.75/hour. More than 33,000 people are employed in these occupations in the Silver Spring-Frederick-Rockville Metropolitan Division.

5. What have been the effects of the increases implemented under Bill 27-13?

Data shows changes in several of the "economic channels" described above since the enactment of Bill 27-13. Due to certain limitations of data, including lack of geographic specificity and a relatively short evaluation period, it is difficult, if not impossible to say that a causal relationship exists between the changes and the minimum wage increases implemented since the Bill's enactment. However, a look at these changes may be useful in assessing potential impacts of continuing to increase the minimum wage up to $15 per hour.

How have consumer prices changed since the enactment of Bill 27-13?

Publicly available data from the Bureau of Labor Statistics (BLS) indicate that prices in the DC region generally are increasing more quickly than in US cities generally, and that the prices of food away from home are increasing more rapidly in the DC region than elsewhere. According to the BLS, from 2013 through May of 2016 prices for all urban consumers in the Washington, DC metro area increased by a total of 3.86% (prices for all urban consumers in US cities have increased by 3.08% during that time). Prices for "food away from home" increased more rapidly during that time, going up by 7.01% in the Washington, DC metro area, and by 6.84% across all US cities.

Limitations of the data include the following:

- The Washington, DC metro area includes jurisdictions that have increased the minimum wage, as well as those that have not.

- All US Cities includes cities that have increased the minimum wage, as well as those that have not (though given that multiple jurisdictions in the DC metro region have increased minimum wages, it is likely that the effect on all US Cities would be smaller than the effect on the DC metro region).
- It is not yet known whether price effects will become more evident over time (e.g. if business decisions to raise prices will lag, or will be driven by increases to labor costs above a certain level).

How has employment changed since the enactment of Bill 27-13?

The overall employment picture in Montgomery County has remained steady and strong over the past two years. Employment in the Silver Spring-Frederick-Rockville Metropolitan Division increased from 561,830 to 566,300 in 2014, and then to 574,560 in 2015. Of course, the actual effect of increasing the minimum wage is likely to be felt in specific industries—such as the fast food industry—in which workers are paid low wages, in which labor costs are significant, and in which capital investments can substitute for labor.

From 2014 to 2015, the number of fast food cooks in the Silver Spring-Frederick-Rockville Metropolitan Division and in the District of Columbia declined significantly (from 1,440 to 860 in Silver Spring-Frederick-Rockville and from 2,570 to 2,050 in the District of Columbia). In the same period, employment as fast food cooks rose significantly in Baltimore-Towson, Richmond, and also in the Washington-Arlington-Alexandria Metro Division (in spite of the decline in DC). While there is always noise in the annual employment numbers for an occupation at the local level, these numbers merit further consideration. Longitudinal employment numbers for other low-wage occupations may indicate that this decline is anomalous (i.e. simply a blip in the 2015 numbers or related to something that affects fast food only) or may support the notion that employment in many low-wage occupations is affected by changes to the minimum wage.

- Employment of cashiers here has also declined, falling from 14,010 in 2013 to 13,340 in 2015. In contrast, employment of cashiers in Baltimore-Towson is up from 37,860 in 2013 to 39,210 in 2015.
- Employment in some low-wage occupational categories has not declined. One example is home health aides—demand is increasing, and capital substitutions for labor are less feasible.

Some employment effects will become more evident as the minimum wage increases are phased in. For example, Montgomery County's last scheduled increase is July 1, 2017. The employment effects, if any, of Bill 27-13 will be much clearer in May of 2019 when the Occupational Employment Statistics will reflect a full year of the July 2017 increase to $11.50/hour.

How have wages changed since the enactment of Bill 27-13?

Average wages of Montgomery County workers have increased over the past two years, from $28.89/hour in 2013 to $29.28/hour in 2014 and then to $29.89/hour in 2015. While average wages have increased, the increases are largest among those with the highest incomes. Incomes at the 90th percentile increased by 4.9% from 2013 to 2015 (from $57.39/hour to $60.20/hour).

During the same period, incomes at the 10th percentile increased only modestly from $9.13 to $9.26/hour, or 1.4%.

Wages of fast food cooks were up sharply from 2013 to 2014 in the Silver Spring-Rockville-Gaithersburg Metropolitan Division, but wages for the same occupation dropped from 2014 to 2015. For example, at the 50th percentile (median), wages rose from $9.09/hour in 2013 to $10.62/hour in 2014 before falling back to $10.42 in 2015.

A quick review of wage data does indicate that there is some wage compression in low-wage industries. For example, the gap between the 10th percentile wages of cashiers and 50th percentile wages of cashiers fell from $1.52/hour in 2013 to $1.19/hour in 2015. Put differently, while wages at the 10th percentile did increase by $0.47/hour, wages at the 50th percentile increased by only $0.14/hour. As the phase-in continues, the effects of the wage compression will become more clear.

6. What has been the experience in other local jurisdictions that have increased their minimum wages to $15 per hour?

Because of the relative novelty of $15 minimum wage laws, it is hard to draw much guidance from other jurisdictions that have enacted them.[39] Other than SeaTac, which due to its size and unique economic characteristics[40] doesn't offer a good comparison, none have reached the $15 target yet (see ©76-83). Most of these jurisdictions are on the west coast, in the San Francisco Bay Area, Silicon Valley, and Los Angeles in California, as well as the City of Seattle, Washington. In enacting its 2014 law raising the minimum wage to $15 per hour, the Seattle City Council also commissioned a study of the law's impacts, contracted with the University of Washington to conduct the study.[41] While it is likely more useful to look at local impacts of the increases in the County minimum wage since the enactment of Bill 27-13, the information gathered as part of the Seattle study may provide some guidance.

Seattle:

Seattle enacted its $15 minimum wage law in June 2014.[42] The law provides different phase-in periods for different "schedules" of employers, described below:

- *Schedule 1 employers* (more than 500 employees in the US) must pay an hourly minimum wage of at least: $11.00 by April 1, 2015; $13.00 by January 1, 2016; and $15.00 by January 1, 2017. The hourly minimum wage paid by a Schedule 1 employer will be increased to reflect the rate of inflation on January 1 of each year thereafter. *Schedule 1*

[39] In 2014, Michael Reich, a University of California, Berkeley economics professor with the Institute for Research on Labor and Employment said "Our data show that an increase up to $13 an hour has no measurable effect on employment," but added "we have not studied what would happen at $15." http://www.seattletimes.com/seattle-news/studies-look-at-what-happened-when-cities-raised-minimum-wage/

[40] According to the most recent US Census and Bureau of Labor Statistics data, SeaTac's population is 27,875, and there are 13,751 workers within the city. Nearly a third of the people who work within the city work at the Sea-Tac International Airport, which serves Seattle and Tacoma, Washington.

[41] http://evans.uw.edu/policy-impact/minimum-wage-study

[42] Prior to the enactment of the Seattle law, two studies on potential effects of a minimum wage increase were commissioned by the Inequality Advisory Committee convened by Mayor Ed Murray. These studies can be accessed here: http://murray.seattle.gov/wp-content/uploads/2014/03/Evans-report-3_21_14-+-appdx.pdf and here: http://murray.seattle.gov/wp-content/uploads/2014/03/UC-Berkeley-IIAC-Report-3-20-2014.pdf

employers that pay toward an individual employee's medical benefits plan must pay an hourly minimum wage of at least: $11.00 by April 1, 2015; $12.50 by January 1, 2016; $13.50 by January 1, 2017; and $15.00 by January 1, 2018. Effective January 1, 2019, the minimum wage requirement will be the same for all Schedule 1 employers.

- *Schedule 2 employers* (500 or fewer employees in the US) must pay an hourly minimum wage that is the lower of the minimum wage required of a Schedule 1 employer or: $10.50 by January 1, 2016; $11.00 by January 1, 2017; $11.50 by January 1, 2018; $12.00 by January 1, 2019; $13.50 by January 1, 2020; $15.00 by January 1, 2021; $15.75 by January 1, 2022; $16.50 by January 1, 2023; and $17.25 by January 1, 2024. Effective January 1, 2025, the minimum wage requirements will be the same for all employers.

As noted above, Seattle commissioned a study to assess the impacts of the increases during the phase-in period. The first report of the study was presented to the Seattle City Council on April 18, 2016,[43] and found little impact on prices in the first year of the law's implementation. The study involved a survey of 567 randomly selected Seattle employers as well as 55 workers, asking their awareness of and feelings about its expected and actual effects, to establish a baseline for that information. While 62% of employers surveyed said that they expected to raise prices of goods and services to cover increased labor costs, an analysis of area prices over time did not reveal such price increases. As with the examination of local impacts of the County's minimum wage increases implemented thus far, this is early-stage analysis and not necessarily a good predictor of impacts of future increases.

An update to the Seattle study, examining the effects of the minimum wage increases through 2015, was released in July 2016.[44] Two key findings of the study, noted economist Jared Bernstein, were: (1) "the pay of affected workers went up almost 12 percent, compared to a 5 percent increase for workers in nearby, similar places that weren't bound by the increase;" and (2) "relative to historical trends, the rate at which low-wage workers affected by the increase stayed employed rose by about three percentage points."[45]

The Bay Area and Silicon Valley:

In California, a number of jurisdictions have approved minimum wage increases that reach the $15 level earlier than 2022, as is required under the recently enacted State law. On November 4, 2014, San Francisco voters passed Proposition J, raising the minimum wage to $15.00 by 2018.[46] Proposition J provided for minimum wage increases according to the following schedule: (1) effective May 1, 2015, $12.25 per hour; (2) effective July 1, 2016, $13 per hour; (3) effective July 1, 2017, $14 per hour; (4) effective July 1, 2018, $15 per hour; and (5) each July 1 thereafter, adjusted for inflation.[47]

[43] http://seattle.legistar.com/LegislationDetail.aspx?ID=2691005&GUID=7C839B99-302C-4F5C-AD39-2DFDE2CBEF87&Options=&Search

[44] http://evans.uw.edu/sites/default/files/MinWageReport-July2016_Final.pdf

[45] https://www.washingtonpost.com/posteverything/wp/2016/08/10/so-far-the-seattle-minimum-wage-increase-is-doing-what-its-supposed-to-do/?utm_term=.62525381b954

[46] CWED analyzed the potential impacts of the proposed increase prior to the November vote. The analysis can be accessed at: http://www.irle.berkeley.edu/cwed/briefs/2014-04.pdf

[47] http://sfgov.org/olse/minimum-wage-ordinance-mwo

Since 2014, the minimum wage in San Francisco has risen 21 percent. During this period, unemployment in San Francisco County has dropped from five percent to 2.9 percent. In the same period, the labor force has grown from 522,300 to 549,800. However, according to the Executive Director of the Golden Gate Restaurant Association, many restaurants have raised prices in 2016, and one local fast-casual restaurant plans to raise menu prices seven percent. According to the Association, an accumulation of labor compliance costs has forced the increase in prices, as restaurant owners have to account for minimum wage, increased health care spending and mandatory paid parental leave.[48]

In addition to San Francisco, the Bay Area city of Emeryville, in Alameda County has enacted a $15 minimum wage law. In Emeryville, employees of large employers (more than 56 employees) will earn at least $15 per hour as of July 1, 2017, while employees of employers with 56 or fewer employees will reach the $15 minimum wage as of July 1, 2018.[49] Also in Alameda County, the City of Berkeley, which has a minimum wage slated to go to $12.53 in October, will have two $15 ballot measures on the ballot this fall. The City Council recently approved placing on the ballot a measure that would raise the minimum wage to $15 in 2019; a citizens' ballot initiative that would raise the minimum wage to $15 next year will also be on the ballot.[50]

In Santa Clara County, Mountain View[51] and Sunnyvale[52] have enacted laws raising the minimum wage to $15 per hour. In each of these jurisdictions, the minimum wage will reach $15 per hour as of January 1, 2018, with future annual increases tied to inflation.

The Los Angeles Area:

On May 19, 2015, the Los Angeles City Council approved a measure providing annual minimum wage increases for employees in the City of Los Angeles up to $15.00 in 2020.[53] The measure applies to all employers, but implementation is delayed for employers having no more than 25 employees. Non-profits with more than 25 employees may apply for a waiver if they meet certain conditions. The Los Angeles County Board of Supervisors approved a measure that will increase the minimum wage for unincorporated areas in the County each July over five years in identical increments, starting at $10.50/hour on July 1, 2016, then $12.00 (2017), $13.25 (2018), $14.25 (2019), and $15.00 (2020). Following 2020, minimum wage will adjust according to the cost of living. In both the City and County, compliance of businesses with under 26 employees on payroll will be required a year later.

7. What are the potential effects of having a minimum wage substantially higher than most other jurisdictions in the region?

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[48] *SF's Minimum Wage Hike Took Effect July 1, but Changes Little*: http://www.sfchronicle.com/business/article/SF-s-minimum-wage-hike-took-effect-July-1-but-8335408.php

[49] http://www.ci.emeryville.ca.us/1024/Minimum-Wage-Ordinance

[50] http://www.berkeleyside.com/2016/06/15/berkeley-council-approves-alternative-minimum-wage-measure-for-ballot/

[51] http://www.mountainview.gov/depts/comdev/economicdev/city_minimum_wage.asp

[52] http://sunnyvale.ca.gov/DoingBusiness/EconomicDevelopment/MinimumWage.aspx

[53] CWED prepared a report for the Los Angeles City Council analyzing potential impacts of the City's then-proposed increase. The report can be accessed at: http://irle.berkeley.edu/files/2014/The-Mayor-of-Los-Angeles-Proposed-City-Minimum-Wage-Policy.pdf

While an increase of the County minimum wage to $15 per hour by 2020 would be generally synchronized with the District of Columbia, it would create significant disparities between the County and other neighboring jurisdictions in the region. In the absence of further federal, State, or local action, the County's minimum wage would be roughly twice the minimum wage of Fairfax County and other suburban Virginia jurisdictions, nearly 50% higher than Frederick and Howard Counties, and 30% higher than Prince George's County. While there has been research done on the impacts of disparities in minimum wages in neighboring jurisdictions, the disparities studied did not approach those that will likely result from the enactment of Bill 12-16. It is possible that a substantial disparity will increase the number of non-County residents seeking low wage employment in the County, increasing competition for these jobs and possibly negatively impacting employment of County workers.[54]

It is exceedingly unlikely, given the results of the November 8 elections, that the federal minimum wage is going to increase during at least the first two years of the Trump administration. It is also unlikely that Maryland's sitting Governor would sign a bill increasing the State minimum wage, but there is a gubernatorial election in 2018, so it is technically possible that another statewide increase could occur before the increases proposed in Bill 12-16 are fully implemented. This possibility may be enhanced by the success of ballot initiatives in Arizona, Colorado, Maine and Washington in the 2016 elections and the apparent political momentum building in East coast states such as Massachusetts, Connecticut, and New Jersey.

8. How will the increase in the minimum wage impact non-profits and other businesses that are not able to pass along increased labor costs to consumers?

At the public hearing, the Council heard from representatives of non-profits and service providers that cannot pass along increased labor costs to consumers. Jurisdictions raising their respective minimum wages are increasingly having to grapple with this issue. The organizations that addressed the Council expressed support for the idea of increasing the County minimum wage, but indicated that it would result in additional costs that they would not be able to pass on to consumers.

Nonprofit Montgomery recognized increasing the minimum wage as a tool to address poverty, and that workers "deserve a wage that leads to self-sufficiency." They asked however, that the Council consider several items concerning the implementation of any increase (see ©55), first among them ensuring that funding and reimbursement rates for County nonprofit contracts match increased labor costs as a result of the increases. Similarly, the Montgomery County Coalition for the Homeless offered support for the Bill, but indicated that increasing the wages of its 44 case aides to $15 per hour would result in an additional $200,000 in annual costs (see ©56).

Montgomery County Inter ACC/DD, a coalition of about 30 agencies serving adults with intellectual and other developmental disabilities, indicated it would support the Bill if it included language requiring the County to provide funding necessary to keep its member agencies' pay to staff at 125% of the minimum wage. Inter ACC/DD estimated that the additional cost to maintain that pay rate, over the $11.50 per hour already provided for in law, would be $20,558,048 per year (see ©57-59). Maryland Association of Adult Day Services, while not necessarily representing

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[54] For an illustration of increased commuting for low-wage jobs, see: http://www.nytimes.com/2014/02/16/us/crossing-borders-and-changing-lives-lured-by-higher-state-minimum-wages.html?_r=0

non-profits indicated that some of its member businesses are contractually prohibited from charging Medicaid patients for services reimbursed through the Medical Assistance Program. As such, these businesses, which provide a necessary service, would be unable to recover increased labor costs associated with a minimum wage increase. The Association requested consideration of an amendment exempting such businesses.

Around the country, jurisdictions are increasing their respective minimum wages while many nonprofit service organizations are struggling to maintain funding levels. Because the non-profit organizations represented at the public hearing, and likely others providing services in the County, rely largely on public (County, State, and federal) funding sources, those sources would be expected to increase their contributions or possibly accept some degradation or reduction in the services provided. In the face of increased costs but without a corresponding increase in funding, these organizations may resort to reducing staff or service hours, may cut back services offered or scale back service areas, or, where possible serve only clients who can afford higher fees.

At the July worksessions, Committee members asked staff for additional information on this issue. Additional discussion is at pages 27-28 of this packet.

9. Will there be a fiscal impact on the County beyond that estimated in the Fiscal Impact statement?

As noted above, the fiscal impact estimate is based entirely on a projection of the minimum wage/seasonal salary schedule (see ©84) to assess the cost of the Bill's proposed increases due to increases. It is not clear whether any adjustment to the County's other salary schedules[55] was considered, whether to raise in-schedule minimums to or above the minimum level or to avoid wage compression. For example, in the FY2016 General Salary Schedule (see ©85), the minimum salaries in Grades 5 through 9 fall below the roughly $31,200 that would be earned under a $15 per hour minimum wage. Certainly, these minimums will be adjusted upward in the years that any increase to $15 will be phased-in, but likely not at the pace proposed in Bill 12-16. A look at what may be a shrinking gap between the lowest paid salaried County employees illustrates the wage compression problem; it would be helpful to understand the likelihood and cost of an additional upward adjustment in some or all of these grades.

Also, as previously discussed, certain non-profits that depend largely on County funding have indicated that they will face significant additional expenses should the minimum wage be increased to $15 per hour. Because they are mostly unable to pass along these additional costs to consumers, these organizations would be looking to their funding sources, including the County, for the necessary increased resources.

Finally, it is worth noting that one anticipated effect of increasing the minimum wage is reduced dependence among low-wage workers on social safety net programs. The County's earned income tax credit supplement is one program that is specifically designed to benefit low-income workers. Finance projects that the number of recipients of that tax credit supplement in FY17 will continue to increase, reaching nearly 12% above the number of recipients in FY14. It is not known at this time whether the increase in the number of eligible recipients would have been larger without Montgomery County's legislated increase in the minimum wage.

[55] The County Salary Schedules can be accessed at http://www.montgomerycountymd.gov/HR/classcomp.html

WORKING FAMILIES INCOME SUPPLEMENT NDA (EITC)						
Fiscal Year	County Match	Admin. Cost	Cost of EITC Refunds	Total Cost	Total Recipients	Average EITC
2000	100.00%	$11,813	$2,199,592	$2,211,405	12,322	$178.51
2001	125.00%	$9,740	$2,544,412	$2,554,152	10,917	$233.08
2002	100.00%	$10,921	$3,952,062	$3,962,983	14,122	$279.86
2003	100.00%	$10,732	$4,585,128	$4,595,860	14,814	$309.51
2004	100.00%	$12,910	$6,012,089	$6,024,999	18,074	$332.64
2005	100.00%	$14,109	$7,907,451	$7,921,560	20,805	$380.08
2006	100.00%	$25,376	$10,236,647	$10,262,023	20,789	$492.40
2007	100.00%	$16,027	$9,970,176	$9,986,203	20,210	$493.33
2008	100.00%	$17,577	$12,910,993	$12,928,570	26,584	$485.66
2009	100.00%	$15,361	$9,000,906	$9,016,267	19,559	$460.19
2010	100.00%	$19,448	$15,063,537	$15,082,985	30,189	$498.97
2011	72.50%	$32,726	$12,920,388	$12,953,114	33,840	$381.81
2012	68.90%	$33,231	$12,805,177	$12,838,409	34,290	$373.44
2013	75.50%	$34,058	$14,686,507	$14,720,565	34,876	$421.11
2014	85.00%	$38,663	$16,847,181	$16,885,860	37,281	$451.90
2015 Act.	90.00%	$40,811	$18,916,413	$18,960,549	38,824	$488.37
2016 Est.	95.00%	$41,650	$21,359,150	$21,400,800	40,076	$534.01
2017 CE Rec.	100.00%	$44,600	$24,229,900	$24,274,500	41,610	$583.38

source: Montgomery County Department of Finance, Division of Treasury

10. Should the County minimum wage be indexed to the CPI-W?

Bill 12-16 provides that, beginning in 2021, the County minimum wage is to be adjusted annually by the annual percentage increase, if any, in the CPI-W. Providing for an annual adjustment to the minimum wage would largely depoliticize the regular increases, and would ensure a measure of predictability to employers. However, annual increases in the minimum wage could result in wage compression being a yearly problem for employers, as employers would be required to increase wages for workers making the minimum wage without regard to whether the business could provide corresponding raises up the wage scale. In addition, the State minimum wage is not indexed to inflation, so the already significant spread between the County minimum wage and the State minimum wage will continue to grow.

Indexing to inflation does not, however, result in higher real wages each indexed year. Since 1990, the real value of the minimum wage has been as low as $6.58 (in 2007) and as high as $7.89 (in 2009). See ©86-88, Congressional Research Service, 2013 *"Inflation and the Real Minimum Wage: A Fact Sheet."* Similarly, indexing the minimum wage to inflation does not mean that hourly wages at the minimum wage will keep up with total economic productivity, the earnings of the top earners, or the average or median wages of all non-supervisory employees.[56]

[56] For example, the Economic Policy Institute compared the change in the minimum wage since 1968 (the year in which the real value of the minimum wage was the highest in the history of the minimum wage) to changes in other economic indicators— if the minimum wage had increased at the same rate as economic productivity it would be

For a thorough explanation of the issue, please see attached statement by Arindrajit Dube, Ph.D. to the U.S. Senate Committee on Health, Education, Labor and Pensions for a hearing on indexing the minimum wage. See ©89-109.

11. Should an increase in the minimum wage to $15 per hour be phased-in over a longer period?

As described above, different jurisdictions have implemented different timelines for reaching the $15 per hour minimum wage. Some have provided longer phase-in periods for small employers. Doing so may mitigate some of the impact on small businesses, but may complicate enforcement.

12. Should the Bill include mechanisms to "pause" scheduled increases based on economic conditions?

As previously noted, California and New York have included in their State laws "off ramps" or "pause" mechanisms that would allow scheduled increases in the minimum wage to be delayed due to certain adverse economic conditions. Aside from the fact that such mechanisms would tend to hurt those who least can afford it in hard economic times, there may also be significant challenges to implementing these provisions at the county-level. At the July 2016 worksessions, Committee members requested that staff provide more information on this possibility; that information is on page 30-32 of this packet.

13. Should the application of the minimum wage and "tip credit" to tipped employees be changed?

At the public hearing, a number of speakers in favor of the Bill urged the Council to also increase the amount that employers must pay tipped workers. Currently, County law allows an employer to apply a "tip credit" equal to the County minimum wage less $4.00, in calculating a tipped employee's compensation. What this means, is that an employer is effectively only required to pay tipped employees $4.00 per hour. However, tipped employees are guaranteed to earn the minimum wage when employer pay and tips are combined, and an employer must make up any shortfall. To increase the amount earned by tipped employees, the law could be amended to simply reduce the amount of the allowed tip credit. Under the current method, there is no increase in the employer pay corresponding to future increases in the minimum wage, but tipped employees will be guaranteed to earn at least the full minimum wage when tips are included. While there have been claims that tipped employees also need a raise, it has not been demonstrated that tipped employees are, in significant numbers, earning less than the minimum wage.

Additional Information Discussed at December Worksession

As noted above, at the first two worksessions on the Bill, Committee members and other Councilmembers requested additional information and discussion from staff on several matters related to the proposed increase in the minimum wage. These requests can be divided into three

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$18.72; if the minimum wage had increased at the same rate as the wages of the top 1% of earners it would be $28.34; if the minimum wage had increased at the same rate as real average wages since 1968 the minimum wage would be $10.46.

general categories: (1) economic and demographic data; (2) potential impacts of an increase; and (3) possible implementation issues. Additional information gathered by staff and discussed at the December 7 worksession is below.

Economic and Demographic Data

1. Cost-of-Living Comparisons

At the July 18, worksession, the Committee requested additional information about where the cost-of-living in the County stands relative to other jurisdictions that have committed to raising their local minimum wage to $15 per hour. While this information is generally only available at a regional level, staff has identified two resources which both seem to indicate that the Washington D.C. region is similarly situated to the regions containing these jurisdictions.

The U.S. Office of Personnel Management (OPM) sets the "locality payment" for different Federal Pay Areas to adjust for "pay gaps" between Federal and non-Federal pay. OPM uses the National Compensation Survey conducted by BLS so that Federal employees are earning comparable salaries to their counterparts in their region. While these locality adjustments are not directly connected to cost-of-living, they can provide a comparison for regional differences in wages.

OPM 2016 GSS Locality Payment for Select Regions

Region	Locality Payment
San Francisco-Oakland-San Jose	35.75%
New York-Newark, NY-NJ-CT-PA	29.20%
Los Angeles-Long Beach, CA	27.65%
Washington-Balt., DC-MD-VA-WV	24.78%
Seattle-Tacoma, WA	22.26%

Source: www.opm.gov, 2016 GSS tables ; Locality Payment is applied equally to all grades.

Also, the Council for Community and Economic Research (C2ER) generates a cost-of-living index to compare different metro areas in the U.S. This measure weighs several different factors in coming with a composite ranking. A recent comparison was published by the Greater Houston Partnership (see ©110), where the D.C. region had the third highest index of the top 20 metro areas in the U.S. In conjunction with the OPM data above, it is reasonable to conclude that the D.C. region is one of the more expensive metro areas to live in but not the most. While less expensive than New York City and San Francisco, the D.C. region is slightly more expensive than Seattle and Los Angeles in the C2ER ranking.

2. Projection of Area Median Wage

After discussing the proposal by economist Arindrajit Dube that 50% of area median wage is an appropriate local minimum wage (see ©60-72), the Committee requested projections of the area median wage. Data for projecting the area median wage is limited. The Maryland Department of Labor, Licensing, and Regulation (DLLR) updates occupation and wage data for the different workforce regions in Maryland. Montgomery County is its own workforce region, which makes it easier to analyze County-only data. DLLR shows that the median wage in 2015 for Montgomery County was $24.50 (see ©111). Montgomery County's median wage increased by 2.2% from 2013 to 2014 and by 2.1% from 2014 to 2015. Given the limited data points, it is difficult to estimate the likely increase in area median wage in the coming years. The table below provides estimates for an increase at 1.5% to 2.0% in the County's median wage.

Projecting Area Median Wage (rounded to the nearest cent)

Year	1.5% Annual Increase	2.0% Annual Increase
2015	$24.50	$24.50
2016	$24.87	$24.99
2017	$25.24	$25.49
2018	$25.62	$26.00
2019	$26.00	$26.52
2020	$26.39	$27.05

3. Differences Between CPI-U and CPI-W, and Likely Impacts on Future Increases

As discussed above, Bill 12-16 provides that the County minimum wage be adjusted annually by the increase, if any, in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The CPI-W applies to all households in which more than one-half of the household's income comes from clerical or wage occupations. In February 2014, the CPI-W represented about 28% of the U.S. population. The CPI-W was the standard index published by BLS until 1978. Starting in 1978, BLS published the CPI-U (All Urban Consumers) to capture a larger percentage of the U.S. population. BLS planned to discontinue the CPI-W series after three years of the CPI-U publication, but the CPI-W was not discontinued for several reasons. However, due to budget and workload issues, BLS did not maintain two separate indexes. Instead, BLS tracks the spending and prices for the CPI-U and then adjusts that index for the CPI-W based on weights to reflect the different spending habits of the wage earner.[57]

BLS published weights for 2013-2014 in December 2015 (see ©112). The CPI-W is weighted heavier for the categories Food and Beverage (+1.677) and Transportation (+2.765) but weighted less for the categories Medical Care (-1.533) and Housing (-1.466)[58] compared to the CPI-U. Future fluctuations to the CPI-W would be based on the changes in prices compared to the weights that BLS uses to calculate that index. Currently, the minutes from the September 20-21, 2016 meeting for the Board of Governors of the Federal Reserve System estimates the inflation will be approximately 2.0% in the short term (2017 – 2019) and longer run (beyond 2019)[59]. The Federal Reserve only projects inflation in general terms and does not offer separate projections for the CPI-U compared to the CPI-W.

For discussion purposes, below is a table comparing how the County's minimum wage would fluctuate using the CPI-U or CPI-W. Since inflation projections don't provide separate estimates for the CPI-U or CPI-W, the table assumes that: 1) the County's minimum wage was $11.50 in 2013 (i.e. Bill 27-13 required the minimum wage to be $11.50 immediately and indexed it to the CPI); 2) 2016 uses the half-year estimates for both CPI-U and CPI-W; and 3) 2017 – 2019 uses a flat 2.0% for both indexes.

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[57] http://www.bls.gov/opub/btn/volume-3/why-does-bls-provide-both-the-cpi-w-and-cpi-u.htm

[58] The Housing component for Clerical and Wage Consumers is less than All Urban Consumers because of BLS's Rental Equivalency index. This index tries to estimate the value of owner-occupied units based on their potential income from rent instead of assessment value.

[59] It is important to note that this meeting occurred prior to the 2016 Presidential election.

Hourly Minimum Wage Indexed to CPI-U and CPI-W

Year	CPI-U	CPI-U Wage	CPI-W	CPI-W Wage
2013	152.500	$11.50	153.006	$11.50
2014	154.847	$11.68	155.151	$11.66
2015	155.353	$11.72	155.211	$11.67
2016	156.770	$11.82	156.492	$11.76
2017	159.905	$12.06	159.622	$12.00
2018	163.104	$12.30	162.814	$12.24
2019	166.366	$12.55	166.071	$12.48
2020	169.693	$12.80	169.392	$12.73

Source: BLS for 2013 – 2016; base year = 1996; 2017 – 2020 data is a 2.0% annual increase starting with the 2016 index.

Indexing to the CPI-U or the CPI-W has a marginal impact to the overall growth in the minimum wage, resulting in an additional $0.07 for the CPI-U during that time period. Though the CPI-U generated a minimum wage that is greater than the CPI-W, it is cautioned that this may not always be the case. Given the assumptions and utilizing the CPI-W as the index, the minimum wage would be $12.73 in 2020. This is about 15.1% less than the amount proposed in Bill 12-16. As discussed in previous packets, indexing minimum wage to CPI may have several complications (e.g. annual wage compression and greater spread between County and State minimum wage) and may not achieve higher real wages.

4. Montgomery County Worker Demographics

The Committee requested additional demographic information on County workers likely to be affected by the minimum wage increases proposed in the Bill. The tables below provide selected demographics for the various breakdowns requested by the Committee from the previous worksession.

Select Demographic Information – All Occupations in Montgomery County

Age			Gender		Race			
14-18	19 – 24	25 and greater	Female	Male	Black or African Amer.	Hispanic	White	All others
1.7%	8.6%	89.7%	51.8%	48.2%	24.5%	11.9%	52.7%	10.9%

Source: EMSI, Inc., 2016.4, QCEW only.
For race, "All others" includes American Indian or Alaska, Asian, Native Hawaiian or Other Pacific, and Two or More Races.

Select Demographic Information – Occupations with hourly median wage of $15 or less in Montgomery County

Age			Gender		Race			
14-18	19 – 24	25 and greater	Female	Male	Black or African Amer.	Hispanic	White	All others
5.2%	17.3%	77.5%	56.9%	43.1%	28.7%	19.6%	41.1%	10.6%

Source: EMSI, Inc., 2016.4, QCEW only.
For race, "All others" includes American Indian or Alaska, Asian, Native Hawaiian or Other Pacific, and Two or More Races.

Select Demographic Information for Occupations with hourly median wage less than $11.50 (Bill 27-13)

Age			Gender		Race			
14-18	19 – 24	25 and greater	Female	Male	Black or African Amer.	Hispanic	White	All others
7.3%	21.1%	71.6%	58.9%	41.1%	25.1%	18.7%	43.5%	12.7%

Source: EMSI, Inc., 2016.4, QCEW only.
For race, "All others" includes American Indian or Alaska, Asian, Native Hawaiian or Other Pacific, and Two or More Races.

5. Commuting Patterns of Low-Wage Workers (including County residents)

At the prior worksessions, the Committee discussed which workers would likely be affected by the Bill's provisions, and specifically inquired as to commuting patterns of likely affected workers. This information indicates that a significant number of these workers do not live in the County, and illustrates one of the challenges to implementing local minimum wage laws in a regional economy.

Approximately 172,999 workers in Montgomery County earned less than $3,333 per month (~$19.23 per hour at 2,080 hours per year) in 2014, according to the U.S. Census Bureau's "ontheMap" tool. Of that total, 51.0% were residents of Montgomery County. Most of those workers (49.0%) traveled 10 miles or less to their place of employment. Conversely, there were 166,020 County ***residents*** that earned less than $3,333 per month in 2014. The top three locations that County residents traveled for employment were within the County (53.1%), to Prince George's County (8.7%), and to D.C. (4.9%). Similar to those employed in the County, 53.9% of low-wage earners living in Montgomery County traveled less than 10 miles for employment.[60]

Montgomery County Workers by Place of Residence

	Less than $1,250	**% of total**	**$1,250 to $3,333**	**% of total**	**Greater than $3,333**	**% of total**
Montgomery County	32,128	51.7%	56,051	50.5%	123,774	47.5%
Prince George's County	7,663	12.3%	15,622	14.1%	22,796	8.7%
District of Columbia	2,695	4.3%	5,227	4.7%	13,193	5.1%
All other	19,615	31.6%	33,998	30.7%	100,885	38.7%
Total	62,101		110,898		260,648	

Source: onthemap.ces.census.gov, U.S. Census Bureau, primary jobs only (i.e., 1 job per worker).

Montgomery County Residents by Place of Employment

	Less than $1,250	**% of total**	**$1,250 to $3,333**	**% of total**	**Greater than $3,333**	**% of total**
Montgomery County	32,128	53.2%	56,051	53.0%	123,774	46.4%
District of Columbia	6,675	11.1%	1,466	1.4%	63,350	23.8%
Prince George's County	5,281	8.8%	9,129	8.6%	17,071	6.4%
All other	16,268	26.9%	39,022	36.9%	100,885	23.4%
Total	60,352		110,898		260,648	

[60] As a point of reference, a ten-mile radius (not by road distance) from the COB in Rockville, MD would include only employment options in Montgomery County, except for a small portion just across the American Legion Bridge in Virginia.

Source: onthemap.ces.census.gov, U.S. Census Bureau, primary jobs only (i.e., 1 job per worker).

Potential Impacts of an Increase

1. Wage compression

The issue of "wage compression," the shrinking gap between the lowest paid workers and those earning more, was raised by opponents of the Bill, and is discussed briefly above. The Committee asked for more information on the potential impacts of wage compression, both on County businesses and on the County itself. Wage compression, as discussed above, is not a hypothetical problem, and poses a question of fairness and may threaten morale within a workplace. Estimating the economic and fiscal impacts of wage compression is a complicated matter, as the impact is generally felt when an employer increases wages to *relieve* the compression that occurs due to an increase in the wages of its lowest paid employees.

Economic impact of wage compression on an employer is realized when the employer increases wages to workers other than the lowest paid workers to maintain a pay scale when the lowest paid workers get a raise. As illustrated in a recent Wall Street Journal article,[61] an employer may realize a certain cost solely due to an increase in the minimum wage (20% of profits in the article), but a substantially higher cost to preserve the current wage scale "with veteran workers earning more than newcomers" (more than 50% of profits in the article). Because profit margins and the number of directly-affected workers varies substantially from business to business, and each employer may or may not choose whether, or to what degree, to maintain existing wage scales, estimating costs across a local economy is beyond staff's capacity.

The issue of wage compression, and the cost to relieve it, relative to the County's existing salary schedules, was also raised as a possible fiscal impact on the County. As noted above, Grades 5 through 9 in the FY16 General Salary Schedule, include minimum salaries that fall below the roughly $31,200 that would be earned under a $15 per hour minimum wage. Staff confirmed with OMB that there are not full-time, permanent County employees that are paid below what the minimum wage would be under the phase-in schedule of the Bill, so there would not be an immediate direct impact on County payroll in this regard. However, since future salary schedules will be bargained for, there is a significant probability that there could be indirect costs incurred by the County in the future.

2. Cumulative Impact of "Worker Protection" Laws on County Businesses

In addition to the minimum wage increases already provided for under Bill 27-13, the County's recently enacted Sick and Safe Leave law will have some impact on County businesses. The Sick and Safe Leave law, which just went into effect on October 1, requires employers to provide certain employees with a specified amount of paid leave, subject to some limitations. In addition to these County laws, a rule promulgated by the U.S. Department of Labor under the Fair Labor Standards Act took effect on December 1 and will extend overtime protections to 4.2 million workers who are not currently eligible under federal law. Under this rule, workers who do not earn at least $47,476 a year ($913 a week) will have to be paid overtime, even if they're classified as a manager or professional.

[61] http://www.wsj.com/articles/push-for-15-raises-payand-tensions-1462491407

Staff was asked to assess the cumulative impact of these recent changes on County businesses. As with estimating the costs of dealing with wage compression, though for different reasons, such an assessment is beyond the capacity of Council staff. With regard to the Sick and Safe Leave law and the FLSA overtime rule, the limited time during which the provisions have been in effect presents a serious challenge to estimating their impact. With the minimum wage increases implemented thus far under Bill 27-13, it is extremely difficult to isolate the impacts on County businesses attributable to the minimum wage increases.

This task is further complicated, at least concerning effects on employment, by broad employment trends. Overall employment in the County has steadily increased each year since 2010, and County unemployment has decreased in each of those years, going from 5.7% in FY10 to 3.7% in FY16. With time it may become easier to identify a causal relationship between minimum wage increases and certain outcomes related to employment, business viability and consumer prices, but at this point, we are quite limited in this area.

Essentially, information available on this point is anecdotal; the Chambers of Commerce in the County have consistently stated the concern of their membership that continuing to go up to a $15 per hour minimum wage by 2020 will be "too much, too fast." Specifically articulated concerns include: (1) concern that increased wage costs will be passed on to clients, many of whom are on fixed incomes (this is particularly true in the home health care sector); and (2) concerns of larger companies that costs of goods and services procured from smaller local businesses will go up, adding to their cost of doing business in Montgomery County.

In addition to concerns from the Chambers, Council staff has heard from representatives in the landscaping industry who will likely be affected by Bill 12-16's increases. These concerns highlight the limits that landscapers face in the amount of additional costs that they can pass along to consumers. Licensed County landscapers may lose business to illegal, unlicensed landscapers, or landscapers based outside of the County who do work in the County. Each of these concerns is an enforcement issue as much as a wage issue, but given the challenges of enforcement, may be well-founded.

3. Impact on Competitiveness of County Businesses with Businesses in Neighboring Jurisdictions with Significantly Lower Minimum Wages

As has been noted the absence of federal, State, or other local action, the County's minimum wage under the Bill would be roughly twice the minimum wage of Fairfax County and other suburban Virginia jurisdictions, nearly 50% higher than Frederick and Howard Counties, and 30% higher than Prince George's County. Staff was asked to provide additional information about potential competitive disadvantages to County businesses resulting from this disparity.

There have been studies that have examined employment patterns across borders of jurisdictions with different minimum wages. A 2010 study by economists from the Universities of California, Massachusetts, and North Carolina analyzed minimum wage impacts across state borders. The authors compared employment patterns in more than 250 pairs of neighboring counties in the U.S. that had different minimum wage rates between 1990 and 2006 and generally concluded that higher minimum wages did not reduce employment and did not put states with higher minimum wages at a significant competitive disadvantage.

A 2011 study by Center for Economic and Policy research looked at the first three city-specific minimum wages in the United States –San Francisco, Santa Fe, and Washington, D.C., and reached similar conclusions.[62] Because the disparities analyzed in these studies were not of the magnitude of those that may be created by the enactment of Bill 12-16, however, the studies' utility as a predictor of the Bill's impacts may be limited. While the impact of relatively modest differences may be negligible, until substantial disparities have been realized and studied, it will be difficult to predict the Bill's effects with a large degree of certainty.

4. Fiscal/Economic Impact on Nonprofits

As discussed above, the Council heard at the public hearing from some nonprofit service providers that further increases in the minimum wage will have significant impacts on them, and that unlike private sector, for-profit businesses, they are not able to pass these costs along to customers. As a result, there is almost certain to be a substantially greater need for County funding to make up the difference. If the County maintains the same formulas for funding (*e.g.*, 125% of minimum wage for Inter ACC/DD, etc.), that need will be great.

Nonprofit Montgomery conducted two surveys on the impacts of a minimum wage increase, in spring and fall of 2016 (see ©113-115). Twenty-one organizations responded to the Nonprofit Montgomery surveys, representing a range of budget sizes. Of these, seven described potential service disruptions if funding is not increased to cover additional wage costs. Montgomery County is not unique in facing this dilemma. As previously noted, mitigating substantial wage-related increases in operating costs for these organizations is a problem with which all jurisdictions implementing a $15.00 per hour minimum wage are grappling. Staff has not identified an established program or solution, beyond committing to increasing funding to offset the costs. In fact, one of the issues tracked by the study commissioned by Seattle to study the implementation of its minimum wage increases is "do nonprofit service organizations respond to higher wage rates by cutting back on services to vulnerable families?"

Locally, Prince George's County has struggled with this issue, and recently passed a bill which provides the option for direct service providers who work with individuals with disabilities under contract with the state Developmental Disabilities Administration (DDA) to apply for a waiver from the county's minimum wage law.[63] The Prince George's County waiver only applies during the time between the County's final increase on Oct. 1, 2017 (up to $11.50 per hour) and when the State's minimum wage reaches $10.10 on July 1, 2018. Even the temporary waiver provoked an impassioned debate, with advocates for the employees of such organizations saying that it sends employees a message that their services are not valued.

As the Council heard at the public hearing, it is not only County-funded nonprofits that are likely to see increases in costs that they are unable to pass along to customers. Medicaid-funded caregivers are in a similar situation, and a waiver from County minimum wage requirements is probably undesirable in that it would essentially value the work of these employees at less than that of employees in virtually all other types of work. Absent a waiver, a further increase in the

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[62] http://cepr.net/documents/publications/min-wage-2011-03.pdf
[63] http://www.thesentinel.com/pgs/index.php?option=com_k2&view=item&id=3182:county-waives-minimum-wage-for-service-providers&Itemid=766

County minimum wage, the County may need to take steps to assist these businesses as well.[64] Due to the State's application for a Medicaid waiver, there is a possibility that some of these additional costs to the County may be offset by new federal funds, but this prospect is uncertain, particularly under a Trump administration.

5. Effect of Increasing the Minimum Wage on Worker Eligibility for Social Service and Other Benefit Programs

The Committee asked staff to provide more information on how increasing the minimum wage might affect workers' eligibility for social programs. Potential savings on such programs is often offered by supporters of an increase as an offset to potential wage-related increases in government costs. Each social services program has its own maximum income eligibility levels. If a low-wage worker receives a higher wage due to a new County minimum wage, that person's eligibility for such programs may change. Although there are too many variables to predict how many County residents would lose eligibility due to a higher County minimum wage, we can make some general observations. A spreadsheet showing the maximum income levels for the different social services programs is at ©116-118.

For example, if a worker earns the 2017 minimum wage of $11.50 per hour for 2000 hours in a year (roughly full-time work), the worker would have an annual gross income of $23,000. If the worker receives a raise to $13.50 per hour, the annual gross income would grow to $27,000. A raise to $15.00 per hour would bring the annual gross income up to $30,000. A raise from $11.50 to $13.00 per hour would not affect Medicaid eligibility, but an increase to $15.00 per hour would cause households with fewer than four people to lose eligibility. Similarly, the maximum income to be eligible for the Montgomery Cares Program is $29,700 for an individual. The same worker would lose eligibility (as an individual) for Montgomery Cares if paid $15.000 per hour. Other variables include number of hours worked and other family income, so for workers who work more than 2,000 hours per year, or households with more than one low-wage worker, the impacts would be magnified. While one might reasonably conclude that a significantly higher County minimum wage would reduce the number of residents eligible for different social services programs, Council staff did not find any studies that could be used to predict the effect.

The cost of child care is another area likely to be affected by an increase in the minimum wage. The 2015 OLO report, "Child Care in Montgomery County," included the following:

> Currently, wages of child care workers are significantly lower than those of school teachers (even when comparing those with similar levels of education) and in many cases barely above the poverty level. A University of California, Berkeley study reported that the average hourly wage for a child care worker in 2013 was $10.33, only slightly higher than that for fast food cooks ($9.07) and significantly lower than that of kindergarten teachers ($25.40). From 2007 to 2011, an estimated 46% of child care workers' families were enrolled in public support programs such as Medicaid, food stamps, or the Federal Earned Income Tax Credit annually.[65]

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[64] For a recent discussion on the problems of low wages in the nonprofit sector, with some mention of minimum wage impacts, see: "Nonprofit Wage Ghettos and What We Should Do about Them" https://nonprofitquarterly.org/2016/11/18/nonprofit-wage-ghettos/

[65] https://www.montgomerycountymd.gov/OLO/Resources/Files/2015_Reports/Report2016-3ChildCare.pdf

An increase in the County minimum wage would likely mean a raise for many of the County's child care workers. This increase, would, however, probably result in an increase in the cost of child care in the County. This increase, combined with the likelihood that some low-wage workers that currently qualify for State child care subsidies will become income ineligible, presents a potential issue that should be anticipated. While the County offers a County-level child care subsidy for parents with limited income that do not qualify for the State subsidy, there is a waiting list for this subsidy. An increase in costs, combined with losing eligibility for a subsidy, could be very challenging for affected households.

The federal and State earned income credits, as well as the County supplement, is another program likely to be impacted by an increase in the minimum wage to $15.00 per hour. If a Maryland resident receives credits through the Federal EITC Program, Maryland will provide credits equal to 50% of the Federal EITC. Montgomery County residents receive additional tax credits based on 10 times the income tax rate for the County. At the current rate of $0.032 per $100, County residents will receive an additional 32% in tax credits based on their Federal EITC. For example, a Montgomery County resident receives $500 in Federal EITC. Maryland will provide a $250 tax credit and Montgomery County will provide $160 in tax credits, for a combined $410 in tax credits for their Maryland tax return.

In addition to tax credits, Maryland and Montgomery County provide refunds for tax credits that are greater than a resident's tax liability. However, the refund rate for the State of Maryland is different than the natural tax credit. For 2015, Maryland's rate was 25.5% of the Federal EITC. Montgomery County matches the State's refund at 100%.

The U.S. Internal Revenue Service allows any user to estimate their eligibility and potential EITC for previous tax years. The table below compares the value of EITC, Maryland ETC and Montgomery ETC for the current minimum wage required by Bill 27-13 ($11.50/hour) to the proposed wage in Bill 12-16 ($15.00/hour). This is based on the 2015 tax schedule.

Minimum Wage	Earned Income	Federal EITC	Maryland ETC	County ETC
$11.50	$23,920	$4,323	$2,162	$1,383
$15.00	$31,200	$2,786	$1,393	$919
Difference	+$7,280	-$1,537	-$769	-$464

Assumptions: Single parent and two eligible children, with one full-time job (2080 hours per year) at minimum wage.

Increasing the minimum wage to $15.00 per hour will impact the value of assistance received from the Federal EITC program; however, an individual in the above scenario will still earn more than what is lost in tax credits. Additionally, the tax credits represent a deduction in tax liability, not actual dollars refunded and at the disposal of the individual. Using the same data and assumptions for the table above, this table details the impact to an individual's refund, if eligible.

Minimum Wage	Earned Income	Federal EITC	Maryland ETC Refund	County ETC Refund
$11.50	$23,920	$4,323	$1,102	$1,102
$15.00	$31,200	$2,786	$710	$710
Difference	+$7,280	-$1,537	-$392	-$392

Assumptions: Single parent and two eligible children, with one full-time job (2080 hours per year) at minimum wage.

As before, an individual will receive more income at the $15.00/hour minimum wage to offset any reductions in the Federal EITC and State/County ETC programs.

Implementation Issues

1. Possible Different Phase-in Periods and "Off-Ramp" Provisions

Staff was directed to provide the Committee with additional information on different phase-in periods used in other jurisdictions, as well as so-called "off-ramp" provisions. Three jurisdictions generally illustrate the options in both regards. California and New York State have implemented increases that provide for different schedules for small employers. In California, employers with 25 or fewer employees get an additional year to reach $15.00 per hour, while in New York, New York City employers with 10 or fewer employees get an additional year. Seattle takes a somewhat different, and more complicated approach, requiring very large employers (500+ employees nationwide) to pay $15.00 per hour by January 1, 2017.[66] Seattle employers with fewer than 500 employees must pay $15.00 per hour by 2021.

Both California and New York also have "off-ramps" to pause increases if economic circumstances so warrant. California's is based on specific statewide economic indicators, and gives the Governor the discretion to temporarily suspend scheduled increases up to twice during the phase-in if certain conditions exist. New York has a more general provision allowing suspension of increases based on a broader analysis of the State economy. Seattle's law does not include an "off-ramp" provision, nor does any local jurisdiction that has enacted a minimum wage increase thus far. This may be due to the challenges of getting sufficient economic data at a local level to determine whether a suspension of increases is warranted.

The California, New York, and Seattle implementation schedules are described below:

California statewide phase-in:

Minimum Wage	26 or more employees	25 or fewer employees
$10.50/hour	January 1, 2017	January 1, 2018
$11/hour	January 1, 2018	January 1, 2019
$12/hour	January 1, 2019	January 1, 2020
$13/hour	January 1, 2020	January 1, 2021
$14/hour	January 1, 2021	January 1, 2022
$15/hour[67]	January 1, 2022	January 1, 2023

- **Off-Ramp Provisions**
  Governor can choose to pause any scheduled increase for one year if either economy or budget conditions are met. The increase to $10.50/hour is not subject to off-ramps. Initial determination of Governor by August 1 of each year prior to a January increase. The Governor makes the final determination by September 1.

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[66] Large employers in Seattle that provide medical benefits to employees get an extra year, to 2018, to pay $15.00 per hour.

[67] As mentioned above, both the City of San Francisco and the City and County of Los Angeles have local minimum wage laws that provide for a $15 per hour minimum wage in 2018 (San Francisco) and 2020 (Los Angeles).

1. **Economy**
   Governor has the ability to pause an increase if seasonally adjusted statewide job growth for either the prior 3 or 6 months is negative and retail sales receipts for the prior 12 months is negative.
2. **Budget**
   Governor has the ability to pause an increase if any year from the current budget year to two additional years is forecasted to be in deficit when including the next scheduled increase. Pursuant to Proposition 2, a multiyear forecast is adopted as part of the annual Budget Act. A deficit is if the operating reserve is projected to be negative by more than 1 percent of annual revenues, currently about $1.2 billion. The budget off-ramp can only be used twice.

New York statewide phase-in:

Date	**NYC <11 emp.**	**NYC 11+emp.**	**Suburban NYC***	**Rest of State**
12/31/2016	$10.50/hour	$11.00/hour	$10.00/hour	$9.70/hour
12/31/2017	$12.00/hour	$13.00/hour	$11.00/hour	$10.40/hour
12/31/2018	$13.50/hour	$15.00/hour	$12.00/hour	$11.10/hour
12/31/2019***	$15.00/hour		$13.00/hour	$11.80/hour
12/31/2020			$14.00/hour	$12.50/hour
12/31/2021			$15.00/hour	**

* Nassau, Suffolk and Westchester Counties
** After 2020, the minimum wage in the rest of the State will continue to increase to $15 on an indexed schedule to be set by the Director of the Division of Budget (DOB) in consultation with the Department of Labor.
*** **Off-Ramp Provisions:** Beginning in **2019**, the State DOB Director will conduct an annual analysis of the economy in each region and the effect of the minimum wage increases statewide to determine whether a temporary suspension of the scheduled increases is necessary.

City of Seattle phase-in:

Date	Schedule 1 (500+ emp. nationwide)	Schedule 1 (500+ emp. nationwide) with med. benefits	Schedule 2 (<500 emp. nationwide)**	Schedule 2 (<500 emp. nationwide)***
April 1, 2015	$11.00/hour	$11.00/hour	$10.00/hour	$10.00/hour
January 1, 2016	$13.00/hour	$12.50/hour	$10.50/hour	$12.00/hour
January 1, 2017	$15.00/hour	$13.50/hour	$11.00/hour	$13.00/hour
January 1, 2018*		$15.00/hour	$11.50/hour	$14.00/hour
January 1, 2019			$12.00/hour	$15.00/hour
January 1, 2020			$13.50/hour	$15.75/hour
January 1, 2021****			$15.00/hour	
January 1, 2022			$15.75/hour	

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January 1, 2023			$16.50/hour	
January 1, 2024*****			$17.25/hour	

* Effective January 1, 2018, the hourly minimum wage paid by a Schedule 1 employer to any employee shall be increased annually on a percentage basis to reflect the rate of inflation and calculated to the nearest cent on January 1 of each year thereafter.
** Effective January 1 of 2016 and each year thereafter, Schedule 2 employers shall pay each employee an hourly minimum wage that is the **lower** of (a) the applicable hourly minimum wage for Schedule 1 Employers or (b) the hourly minimum wage shown in the above schedule.
*** Effective January 1 of 2016 and each year thereafter, Schedule 2 employers shall pay each employee an hourly *minimum compensation* that is the lower of (a) the applicable hourly minimum wage for Schedule 1 Employers or (b) the hourly minimum wage shown in the above schedule. "*Minimum compensation*" means the minimum wage in addition to tips actually received by the employee and reported to the Internal Revenue Service, and money paid by the employer towards an individual employee's medical benefits plan.
**** Effective January 1, 2021, the hourly minimum compensation paid by a Schedule 2 employer to any employee shall equal the hourly minimum wage applicable to Schedule 1 employers.
***** Effective January 1, 2025, minimum compensation will no longer be applicable as defined in the law.

2. Tipped Employees

At the July 18 worksession, Council staff was asked to look into whether the existing law's reporting requirement for employers of tipped employees could be modified for more proactive enforcement. As described above, the law currently allows an employer to apply a "tip credit" equal to the County minimum wage less $4.00, in calculating a tipped employee's compensation, as long as the employees combined earnings (employer paid plus tips) equals or exceeds the minimum wage. The law further requires each employer who employs a tipped employee to submit a quarterly wage report to the Director certifying that each tipped employee was paid the required minimum wage.

Because current law requires only a certification that each tipped employee is paid the required wage, and not specific information about individual employees, it would require substantial revision in order to allow for proactive enforcement (see OHR "Minimum Wage Reporting Form at ©119). To enable OHR to determine that a particular employee was not receiving the minimum compensation, employers would seemingly need to report each employee's hours worked, compensation paid by the employer, and tips received. Expanding the reporting requirement to this extent would likely present a significant burden to employers that employee a substantial number of tipped employees. It would also essentially require an employer to self-report violations.

Executive and Council Requests and Proposals

1. County Executive Memorandum

The County Executive sent a memorandum dated November 22, 2016 to Council President Floreen, stating his "support [for] the effort to move toward $15 per hour over an appropriate time frame and under certain conditions." (see ©120-121) The Executive expressed specific concerns about the Bill and stated his opposition to it as introduced. The Executive expressed specific concerns about both economic impacts on businesses and adverse impacts on employment opportunities, as well as the likely additional fiscal impact on the County due to increased costs of contracts with nonprofits. In view of these concerns, he urged the Council to consider a longer time frame for raising the minimum wage and to include a provision to give the Executive authority to keep a scheduled increase from happening in the event of an economic downturn. He also urged the Council to consider exemptions such as those included in the bill sent to the Baltimore City Council from the Labor Committee.

2. Councilmember Katz Memorandum

Councilmember Katz sent a memorandum to Councilmembers dated November 30, 2016 stating his concerns about the Council taking action on the Bill without adequate information about potential impacts on businesses and workers. In concluding the memorandum, Councilmember Katz asked Councilmembers to undertake a "robust economic impact study" before enacting any further increases in the minimum wage. The memorandum is at ©122-123.

3. Councilmember Floreen Memorandum

By memorandum to OLO Director Chris Cihlar dated December 1, 2016, Council President Floreen requested that "OLO contract with outside experts as soon as possible in order to conduct an economic impact analysis of Bill 12-16. This memorandum is at ©124.

4. Possible Amendments

Councilmembers Elrich and Leventhal may offer a set of amendments that would: (1) create separate phase-in schedules for large (26 or more employees) and small (25 or fewer employees) employers; (2) extend the phase-in schedule to 2022 for small employers; and (3) create a mechanism by which scheduled increases during the phase-in period may be temporarily suspended if certain economic circumstances exist. These draft amendments are at ©125-128.

Councilmember Riemer may offer an amendment that would require the Office of Legislative Oversight to provide to the Council, by January 31 of each year, an analysis of the impact of the County minimum wage on the local economy. This draft amendment is at ©129.

This packet contains:

F:\LAW\BILLS\1612 Minimum Wage - Annual Adjustment\Action Memo.Docx

THE MINIMUM WAGE STUDY
UNIVERSITY of WASHINGTON

Brief Summary

"Minimum Wage Increases, Wages, and Low-Wage Employment: Evidence from Seattle"
National Bureau of Economic Research (NBER) Working Paper #23532, released June 26, 2017

Ekaterina Jardim, Mark C. Long, Robert Plotnick, Emma van Inwegen, Jacob Vigdor, and Hilary Wething

For all media inquiries, please email mwage@uw.edu.

See the Minimum Wage Study website -- https://evans.uw.edu/policy-impact/minimum-wage-study -- for more details about the project.

Study Design

- This NBER working paper evaluates the impact of the city minimum wage on Seattle's entire low-wage labor market, defined as jobs paying $19/hour or less, after two consecutive wage increases from:
    - $9.47/hour to as much as $11/hour on April 1, 2015, and from
    - $11/hour to as much as $13/hour on January 1, 2016.
- It examines whether Seattle's minimum wage policy affected the number of low-wage jobs available, the number of hours that workers in low-wage jobs were employed, and the amount of money paid to workers in low-wage jobs.
- The analyses use data from the State of Washington Employment Security Department (ESD), collected quarterly from all employers in the state. Washington is one of only 4 states that collects hours worked, in addition to earnings, in these data. These unique data allow us to identify jobs that pay low wages and workers who earn low wages. Prior studies without hours data have had to define "low wage jobs" imperfectly (e.g. by focusing on the food service industry or teenage workers).
- The analyses examine data from Washington businesses that specify whether their employees work inside or outside Seattle in their quarterly reports to ESD. This includes 89.2% of businesses which employ 62% of the state's workforce. The excluded businesses operate in multiple locations and do not report which employees work in which location. Evidence from the research team's separate survey of Seattle business license holders suggests that the working paper's conclusions would apply similarly to excluded businesses.

Key Findings

- The first Seattle minimum wage increase to $11/hour on April 1, 2015, led to:
    - a 1.5% increase in hourly wages for low wage employees (i.e., those earning $19/hour or less)
    - modest reductions in employment
    - little change in total payroll for low-wage jobs (total payroll is the sum of wages for all hours worked across all employees)

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- The second Seattle minimum wage increase, to as much as $13/hour on January 1, 2016, resulted in:
    - a 3% increase in hourly wages for low-wage employees
    - a 9% reduction in hours worked at wages below $19/hour. A disemployment effect of this size would occur if, for example, a business that employed 11 low wage workers per shift in 2014 cut back to about 10 workers per shift in 2016.
    - a reduction of over $100 million per year in total payroll for low-wage jobs, measured as total sum of increased wages received less wages lost due to employment reductions. Total payroll losses average about $125 per job per month.
    - The findings that total payroll for low-wage jobs declined rather than rose as a consequence of the 2016 minimum wage increase is at odds with most prior studies of minimum wage laws. These differences likely reflect methodological improvements made possible by Washington State's exceptional individual-level data. When we replicate methods used in previous studies, we produce the same results as previously found. And as noted above, survey data collected independently of this data analysis indicate that the inclusion of multiple-location businesses would not significantly alter the results.

Future Analyses

- These analyses are designed to reveal the impact on the entire Seattle low-wage labor market and do not necessarily reveal the full effect of the minimum wage increases on individual workers. Most importantly, our data do not capture employment or earnings in contract or "gig" jobs, work paid "off the books," self-employment, or work done outside the City of Seattle.

- We may not find the same things we found in this study in other cities, states, or at the national level. There are multiple factors that make Seattle and this minimum wage law unique, including high housing costs and relatively large increases in the minimum wage beginning at what had been the nation's highest state minimum wage.

- In coming months, the minimum wage study team expects to expand and deepen this analysis by examining:
    - How the effects of the Seattle minimum wage differ across workers with different personal and family characteristics;
    - How higher minimum wages impact worker productivity; and
    - What the employer surveys and worker interviews say about the lived experiences of this law.

Chairs
Sylvia A. Allegretto
Michael Reich
CWED Policy Brief

CWED
Center on Wage and Employment Dynamics

Institute for Research on Labor and Employment
University of California, Berkeley

Seattle's Minimum Wage Experience 2015-16

By Michael Reich, Sylvia Allegretto, and Anna Godoey

June 2017

Michael Reich is a Professor at UC Berkeley and Co-Chair of the Center on Wage and Employment Dynamics (CWED) at UC Berkeley's Institute for Research on Labor and Employment. Dr. Sylvia Allegretto is a Research Economist and Co-Chair of CWED. Dr. Anna Godoey is a post-doctoral researcher at CWED. *We acknowledge support from the University of California and the Ford Foundation and we are grateful to Arindrajit Dube and Ben Zipperer for their sage advice.*

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ABSTRACT

This brief on Seattle's minimum wage experience represents the first in a series that CWED will be issuing on the effects of the current wave of minimum wage policies—those that range from $12 to $15. Upcoming CWED reports will present similar studies of Chicago, Oakland, San Francisco, San Jose and New York City, among others. The timing of these reports will depend in part upon when quality data become available. We focus here on Seattle because it was one of the early movers.

Seattle implemented the first phase of its minimum wage law on April 1, 2015, raising minimum wages from the statewide $9.47 to $10 or $11, depending upon business size, presence of tipped workers and employer provision of health insurance. The second phase began on January 1, 2016, further raising the minimum to four different levels, ranging from $10.50 to $13, again depending upon employer size, presence of tipped workers and provision of health insurance. The tip credit provision was introduced into a previously no tip credit environment. Any assessment of the impact of Seattle's minimum wage policy is complicated by this complex array of minimum wage rates. This complexity continues in 2017, when the range of the four Seattle minimum wages widened, from $11 to $15, and the state minimum wage increased to $11.

We analyze county and city-level data for 2009 to 2016 on all employees counted in the Quarterly Census of Employment and Wages and use the "synthetic control" method to rigorously identify the causal effects of Seattle's minimum wage policy upon wages and employment. Our study focuses on the Seattle food services industry. This industry is an intense user of minimum wage workers; if wage and employment effects occur, they should be detectable in this industry. We use county level data from other areas in Washington State and the rest of the U.S. to construct a synthetic control group that matches Seattle for a nearly six year period before the minimum wage policy was implemented. Our methods ensure that our synthetic control group meets accepted statistical standards, including not being contaminated by wage spillovers from Seattle. We scale our outcome measures so that they apply to all sectors, not just food services.

Our results show that wages in food services did increase—indicating the policy achieved its goal—and our estimates of the wage increases are in line with the lion's share of results in previous credible minimum wage studies. Wages increased much less among full-service restaurants, indicating that employers made use of the tip credit component of the law. Employment in food service, however, was not affected, even among the limited-service restaurants, many of them franchisees, for whom the policy was most binding. These findings extend our knowledge of minimum wage effects to policies as high as $13.

ROCKVILLE, MARYLAND

MEMORANDUM

September 25, 2017

TO: Roger Berliner, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget
Alexandre A. Espinosa, Director, Department of Finance

SUBJECT: FEIS Extension for Bill 28-17, Human Rights and Civil Liberties - County Minimum Wage - Amount - Annual Adjustment

As required by Section 2-81A of the County Code, we are informing you that transmittal of the fiscal and economic impact statements for the above referenced legislation will be delayed because more time is needed to coordinate with the affected departments, collect information, and complete our analysis. We will transmit the statements no later than Oct 16, 2017.

JAH:fz

cc: Bonnie Kirkland, Assistant Chief Administrative Officer
Lily Qi, Assistant Chief Administrative Officer
Lisa Austin, Offices of the County Executive
Joy Nurmi, Special Assistant to the County Executive
Patrick Lacefield, Director, Public Information Office
David Platt, Department of Finance
Dennis Hetman, Department of Finance
Corey Orlosky, Office of Management and Budget
Felicia Zhang, Office of Management and Budget

ROCKVILLE, MARYLAND

MEMORANDUM

May 2, 2016

TO: Nancy Floreen, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget
Joseph F. Beach, Director, Department of Finance

SUBJECT: FEIS for Bill 12-16, Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment

Please find attached the fiscal and economic impact statements for the above-referenced legislation.

JAH:fz

cc: Bonnie Kirkland, Assistant Chief Administrative Officer
Lisa Austin, Offices of the County Executive
Joy Nurmi, Special Assistant to the County Executive
Patrick Lacefield, Director, Public Information Office
Joseph F. Beach, Director, Department of Finance
Shawn Y. Stokes, Director, Office of Human Recourses
Jim Stowe, Director, Office of Human Rights
David Platt, Department of Finance
Corey Orlosky, Office of Management and Budget
Alex Espinosa, Office of Management and Budget
Naeem Mia, Office of Management and Budget

Fiscal Impact Statement
Bill 12-16 Human Rights and Civil Liberties-County Minimum Wage-Amount-Annual Adjustment

1. **Legislative Summary.**

   Bill 12-16 would increase the County minimum wage to $15.00 per hour effective July 1, 2020. Under the bill's transition provision, the County minimum wage would increase from $11.50 effective July 1, 2017 to $12.50 per hour July 1, 2018, $13.75 per hour July 1, 2019, and $15.00 per hour July 1, 2020.

2. **An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.**

   This proposed legislation would not change any County revenues or expenditures in the County Executive's recommended FY17 budget. The changes in this proposed legislation would have an impact beginning in FY19.

   The fiscal impact of this bill has been estimated using the current minimum wage law establishing a minimum wage of $11.50 effective July 1, 2017 as the baseline. To determine the impact, a projection of the minimum wage/seasonal salary schedule was used to discover that the changes to minimum wage would impact grades S1 through S5 in FY19 and beyond. The County currently utilizes an estimated 565,258 hours of work in grades S1 through S5. Additionally, once the minimum wage reaches $15.00 per hour, this legislation would provide an annual adjustment to the minimum wage by the annual increase in the CPI. This adjustment is used in the 6-year fiscal year projection in #3, and would continue to have an impact beyond 6 years.

   Specifically for the Office of Human Rights, a person may file a complaint against their employer for non-compliance with the law and in violation of the wage requirements in this bill with the Maryland Department of Labor, Licensing and Regulations Employment Standard Service. It is unknown whether an increase in the minimum wage rate would affect the number of complaints filed each year from Montgomery County so case processing and closure estimates are difficult to determine at this time. These variables should not impact revenues or expenditures in the foreseeable future. The Office of Human Rights estimates a minimum cost will be required to print new minimum wage posters for the county employment community.

3. **Revenue and expenditure estimates covering at least the next 6 fiscal years.**

   The current minimum wage law provides for incremental changes to achieve a minimum wage of $11.50 in FY18. The proposed legislation would add additional minimum wage increases beyond FY18, leading to an estimated additional fiscal impact of $6,483,575 to the County over the next 6 years. This estimate represents the increases proposed to take effect in FY19-FY22, assuming the current number of hours worked by County employees in the affected grades on the minimum wage/seasonal salary schedule.

	FY18	FY19	FY20	FY21	FY22
Minimum wage	$11.50	$12.50	$13.75	$15.00	$15.41
Hours worked	565,258	565,258	565,258	565,258	565,258
Cost	$6,997,758	$7,606,259	$8,366,885	$9,127,511	$9,373,954
Impact	$0	$608,501	$1,369,127	$2,129,753	$2,376,195
Note: cost estimate includes payroll tax of 7.65%				Total impact	$6,483,575

The Office of Human Rights estimates a minimum cost will be required to print new minimum wage posters for the county employment community.

4. **An actuarial analysis through the entire amortization period for each regulation that would affect retiree pension or group insurance costs.**

   Not applicable.

5. **Later actions that may affect future revenue and expenditures if the regulation authorizes future spending.**

   Any substantive changes to the utilization of employees on the minimum wage/seasonal salary schedule would have an impact on the estimate for the next 6 fiscal years.

6. **An estimate of the staff time needed to implement the regulation.**

   There would be minimal impact to the Office of Human Rights staff in regards to processing complaints submitted to and enforced by the Maryland Department of Labor, Licensing and Regulations Employment Standards Service. The Office of Human Rights staff would continue to address questions and provide clarification of the requirements of the law and provide educational outreach to the general community.

7. **An explanation of how the addition of new staff responsibilities would affect other duties.**

   Not applicable.

8. **An estimate of costs when an additional appropriation is needed.**

   No additional appropriation is needed.

9. **A description of any variable that could affect revenue and cost estimates.**

   Cost estimates could be affected by changes in the utilization of employees on the minimum wage/seasonal salary schedule.

There is no impact for the Office of Human Rights as the Maryland DLLR will enforce the law and process complaints.

10. Ranges of revenue or expenditures that are uncertain or difficult to project.

Not applicable.

11. If a regulation is likely to have no fiscal impact, why that is the case.

Not applicable.

12. Other fiscal impacts or comments.

Not applicable.

13. The following contributed to and concurred with this analysis.

James Stowe, Office of Human Rights
Corey Orlosky, Office of Management and Budget
Lori O'Brien, Office of Human Resources

JAHughes

Jennifer A. Hughes, Director
Office of Management and Budget

5/2/16
Date

Economic Impact Statement
Bill 12-16, Human Rights and Civil Liberties –
County Minimum Wage – Amount – Annual Adjustment

Background:

This legislation would:

- Increase the minimum wage set in County law to $15.00 per hour effective July 1, 2020, and
- Beginning in 2021, the minimum wage would be adjusted by the annual increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the previous calendar year.

The County's minimum wage would be phased in over several years. The minimum wage would increase to $12.50 per hour beginning on July 1, 2018, increase to $13.75 per hour beginning on July 1, 2019, and increase to $15.00 per hour beginning on July 1, 2020.

1. The sources of information, assumptions, and methodologies used.

The sources of information include economic research papers and data that analyzed the effects of increasing the minimum wage on employment. Those papers and data include the following:

- David Neumark, "The Effects of Minimum Wages on Employment", Federal Reserve Bank of San Francisco (FRBSF) Economic Letter, December 21, 2015,
- Robert Pollin and Jeannette Wicks-Lim, "A $15 U.S. Minimum Wage: How the Fast-Food Industry Could Adjust Without Shedding Jobs", Working Paper Series, Political Economy Research Institute, University of Massachusetts Amherst, January 2015, and
- Bureau of Labor Statistics (BLS), U.S. Department of Labor, "Characteristics of Minimum Wage Workers, 2013", BLS Reports, March 2014.

According to Neumark, "researchers offer conflicting evidence on whether or not raising the minimum wage means fewer jobs for low-skilled workers." These conflicts are based on four models:

- The "neoclassical" model or standard model of competitive labor markets predicts that a higher minimum wage will lead to job loss. This model assumes a labor market for a single type of labor. According to this model, a minimum wage that is set above the competitive equilibrium reduces employment. Employers may substitute low-skilled labor for other factors of production such as equipment or other types of capital resources. Second, higher wages and fixed factors of production imply higher prices, thereby reducing product and labor demand.

- However, since the labor market is more complex than the "neoclassical mode" suggests, an alternative model is the "labor-labor substitution" framework that may not result in total job losses but will result in a shift in hiring from fewer low-skilled workers to more high-skilled workers.

- A third conceptual model as an alternative to either the "neoclassical" or the "labor-labor substitution" model is that employers have significantly more *market power* than consumers. This monopsony could be the result of pricing power by the employer, that is, he or she is able to pass along the increase in the wage rate through higher prices. This ability to pass on the wage increase is attributed to the *elastic/inelastic* demand for the product by the consumers.

- Finally, a paper by Pollin and Wisk-Lim suggest that "there are four primary ways for businesses to adjust to cost increases other than reducing employment." The four ways include: 1) an increase in the minimum wage would reduce absenteeism, lower turnover and training costs, and yield higher productivity, 2) cover a share of the increase in the minimum wage by raising prices (the monopsony model), 3) allocate a share of the business revenue generated by economic growth to cover the increase in the minimum wage, and 4) redistribute overall revenues within the firm from profits to the wages of their lowest-paid workers.

Alan Blinder, former Vice Chairman of the Board of Governors of the Federal Reserve System, posits three reasons minimum wages do not affect employment similar to the Pollin/Wisk-Lim study: higher wages may reduce turnover and therefore training costs, raising the minimum wage may eliminate the problem of recruiting workers at a higher wage than current workers, and minimum wage earners represent a small portion of the employer's cost such that an increase is relatively insignificant to the employer's total cost of production.

In Neumark's paper, he provides the research estimates of the responsiveness (elasticity) of raising the minimum wage to jobs losses. He reports elasticities ranging from -0.1 to -0.2 depending on the makeup of the labor force and business such as teenagers in restaurant industry to geographical locations. Based on review of the research, Neumark suggests a reasonable estimate based on his reviews that *current* minimum wages "have directly reduced the number of jobs *nationally* by about 100,000 to 200,000 relative to the period before the Great Recession." He also suggests that this small decline in aggregate employment should be "weighed against increased wages for still-employed workers because of higher minimum wages."

Based on 2013 data from the Bureau of Labor Statistics (BLS), there were 66,000 employees in Maryland out of a total of 1.334 million hourly-paid workers (4.95%)

earning at or below the minimum wage as measured by the labor force series data. Of that percentage, 2.2 percent workers were at the minimum wage and 2.7 percent were below the minimum wage. Since the 2013 data are based on a survey of households nationwide, there are no specific data on minimum wage employees in Montgomery County. Based on BLS data, minimum wage employees are concentrated in the leisure and hospitality industry, retail, and education and health services. In terms of occupations, nearly 44% are in food preparation and serving related occupations nationwide.

2. A description of any variable that could affect the economic impact estimates.

- The ability of the employer to pass the increase of the minimum wage to his or her customers;
- The share of minimum wage earners to total employment for a particular business;
- The elastic/inelastic demand for the business's product or service;
- The elasticity of raising the minimum wage and the effects on employment;
- The costs of retraining workers, and
- The extent to which higher minimum wages induce greater spending in the local economy.

3. The Bill's positive or negative effect, if any on employment, spending, saving, investment, incomes, and property values in the County.

As stated previously, there is no consensus among economists on the effects of the minimum wage on employment. Based on the review of the research, it is not certain whether an increase in the minimum wage would either increase or decrease employment. This uncertainty is based on the following factors presented in Section 2:

- The ability of the employer to compensate for the increase in the minimum wage by passing such increase onto customers with higher prices;
- The proportion of the wage costs among workers earning the minimum wage to the total costs of production; and
- The multiplier effect of increasing the minimum wage on the local economy.

Finally, in the research studies presented above, the conclusions are based on datasets used to determine the effect of the minimum wage on employment, the statistical methods used to reach those conclusions, and the model used as the theoretical framework to conduct the analysis.

4. **If a Bill is likely to have no economic impact, why is that the case?**

   It is uncertain whether increasing the minimum wage would either increase or decrease employment among low-wage workers. As stated in Section 3, the economic impact would be based on the assumptions and the characteristics and location of those businesses that would be required to raise the minimum wage.

5. **The following contributed to and concurred with this analysis**: David Platt, Mary Casciotti, and Robert Hagedoorn, Finance.

Joseph F. Beach, Director
Department of Finance

5/1/16
Date

ZIMMERMAN'S ACE HOME CENTER
3801 Sandy Spring Road • Burtonsville, MD 20866
Local (301) 421-1900 • Washington (301) 384-2000 • Baltimore (410) 792-4549 • Fax (301) 421-4283

Dear Council Members,

When I started to put numbers to paper on how this increase has affected us so far and how it will affect us in the future, it became a grave reality of what is to come if you do pass this increase in its current form.

It will cause us to close our business. Plain and simple.

Here is the breakdown of numbers:
2016 payroll was $807,313
2017 projected payroll is $870,000
To date payroll is up 15% however I only projected an 8% increase for the year.

Sales are actually down 8%:
2016 sales were $6,275,000
2017 projected sales are $5,700,000

Of the $870,000 in payroll, $470,000 represents managers, office and experienced sales staff.
That leaves $400,000 for cashiers, clerks, warehouse and drivers. All who are currently making under $15.00 per hour.

Of this $400,000 in payroll, $350,000 of that goes to retirees working for something to do, college students, special circumstances adults as well as teen and young adults still living at home.
My point of this is: most minimum wage employees are not who you are targeting.

Plus one very important factor is that I have had to freeze wages to all other employees and managers.

Let me say that again, I have had to freeze wages to all other employees and managers.

Of note also, this causes a trickle-down effect and any experienced employee making close to minimum wage wants an adjustment just so they are making more than minimum wage employees.

And in turn, I have lost a couple of good employees due to lack of available payroll dollars.

Here are my projections for increasing $1.00/ hour annually until reaching $15.00/ hour:
Of the $400,000 in payroll for employees making $15.00 or less

2018	$12.50/ hour	= $440,000	+$40,000
2019	$13.50/ hour	=$495,000	+$45,000
2020	$14.50/ hour	=$545,000	+$50,000
2021	$15.50/ hour	=$575,000	+$30,000

			$165,000

My payroll will be $165,000 more in 2021 than now!
The $165,000 is significantly higher than our average net profit.

So now you see the grave reality!

Important things to think about in your decision:

- With the current 19 year age requirement what sense of entitlement are we teaching our youth?
  Baltimore City was at least 21 years

- You are forcing employers to raise entry workers wages and that is taking away pay adjustments for mid level employees

- We as retailers are competing with online retailers like Amazon and raising prices is not an option

- We are only 2 miles from Howard County and also adjoining Frederick and Northern VA that do not have a separate minimum wage

- With a $15.00/ hour minimum wage I will not hire low skill or high risk individuals. (Currently, I have 2 ex-convicts working here, one convict with a 30 year prison term)

- The current 20 hour per week for age 18 and under needs clarification to be 1,040 hours a year and raised to at least 21-25 year olds. The yearly hour requirement changed similar to Obama Care and 401K

- The $11.50/ hour is already hurting us as well as hurting mid level employees

- This will put Montgomery County in a non-competitive retail position and we all will lose revenue

THE GREATER BETHESDA
CHAMBER of COMMERCE
Smart Business, Bright Future

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TESTIMONY BY JENNIFER RUSSEL
ON BILL 28-17, HUMAN RIGHTS AND CIVIL LIBERTIES - COUNTY MINIMUM WAGE - AMOUNT - ANNUAL ADJUSTMENT
BEFORE THE MONTGOMERY COUNTY COUNCIL
SEPTEMBER 26, 2017

Good evening. I am Jennifer Russel speaking on behalf of The Greater Bethesda Chamber of Commerce.

I am again testifying in opposition to the minimum wage bill, Bill 28-17, which would increase the County's minimum wage to $15 by 2020. In June, I asked you five questions:

1. Why now?
2. Why you?
3. Why are we doing this alone?
4. Do you know what the impact has been and will be on businesses?
5. What will the impact on the County be?

Several of those questions still haven't been answered: "Why now," "Why you," and "Why are we doing this alone?"

We know that the impact on the business community, the employees and the county have had and will continue to have negative consequences. Research methodologies aside, the study that was conducted by the consulting firm did show that businesses would be negatively impacted. Whether or not you recognize this, the chambers of commerce in this County are on the front lines on this issue and are the voices of the small businesses who don't have the time or the manpower to speak to you personally. I am their voice as they struggle to maintain their delicate balance.

We hear every day from our members the difficulties they have in trying to deal with increased wages at the bottom rung, while not being able to increase the wages of their longer-term employees who earned and deserve it. You're not going to see them here tonight for a number of reasons. Most important is that everyone agrees that the minimum wage should increase, albeit slowly, however this should be at a national or a statewide level. These employers fear being viewed negatively by their employees and customers if they attend or testify against increases in minimum wage.

The Chamber readily hosted two focus groups for the consultant. Participants included all types of businesses of all sizes. From restaurants and hotels to car dealerships and home health care companies. All of the businesses were already impacted by the 2013 legislation and all questioned the reasoning for doing this now, when they were still adjusting to the increased costs of federally mandated health care, sick leave, increased property taxes and increased minimum wages that were significantly above the cost of living increases. These companies per federal standards would all be considered "small businesses," but not all by Bill 28-17. All were focused on the compression issue and many realized that that the only way they could compensate for the increased costs were to either cut back on benefits or reduce staff. One company told of having to disband employee profit sharing, and most others cut back on hours, proving that increased wages at the minimum wage level, had negative impacts on all employees, which was not the intended purpose of this law.

If this bill is passed, the road ahead is simply not clear. What IS clear is that the impact on the worker is unknown. We believe the County should instead focus its efforts on attracting and incentivizing new and existing businesses to create a more vibrant local economy, and pushing aggressively ahead with ongoing and recently enhanced workforce programs.

Are you really willing to take the risk that workers at the lower end of the pay scale may suffer the indignity of losing their livelihood as a result of your actions? Are you certain, beyond a reasonable doubt that yours is a good decision; whichever side you are on?

I urge you to think of the County as a whole and not just your own imminent political future. Don't pass this bill (in its current form). Thank you.

BUSINESS
ADVOCACY

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Public Hearing on Bill 28-17, Human Rights and Civil Liberties –
County Minimum Wage Amount – Annual Adjustment
September 26, 2017

OPPOSE

Testimony by Ilaya Hopkins, Vice President Public Affairs
Montgomery County Chamber of Commerce

MCCC advocates on our members' behalf to strengthen our community for the benefit of all. Public policies that support business growth and success create more jobs – and more paths to self-sufficiency - for more residents.

We urge you to rethink this proposal which calls for an additional increase to the local minimum wage above the existing above-market-rate wage of $11.50.

In Montgomery County, we need laws that support our amazing, diverse, visionary and daring employers who are trying to survive and thrive right here. Their success is the backbone to a strong local economy that in turn builds a strong community with more opportunities for more of our residents.

Here is what we know:
Montgomery County has one of the highest median wages in the country. If you dig deeper, you discover that 181,306 people (53.6% of high-income residents) work **OUTSIDE** of Montgomery County.

Who IS in Montgomery County and impacted by the policies you enact?
Almost 33,000 businesses, the vast majority of which have fewer than 100 employees. These small businesses are diverse and are critical to our economic ecosystem. This is why we advocate on their behalf.

The national push to mandate $15 by 2020 – the Fight for $15 - is analogous to <u>casting a big net in the ocean to catch the big tuna. You might get some of the tuna but you also cause unintended harm to dolphins in the process.</u>

Who are the dolphins of Montgomery County? They are the small businesses that are

- training our young people to gain skills in the work place.
- providing health care to their employees who they consider like family members, even though health care coverage costs continue to escalate.
- investing in their talent by helping them develop skills like English language proficiency so they can move up the ladder of opportunity.
- employing people of differing abilities and delivering services to some of our community's most vulnerable populations.

We do not believe that the continued focus to bring this national movement with a catchy phrase to our local economy by mandating additional increases of a local minimum wage answers the important question of how best to support low-wage earners.

An additional increase to the local minimum wage will make it

- more difficult for many of our most vulnerable residents who will be further shut out of the job market and
- more costly for everyone – even for the very people this national movement purports to want to help.

As we have said many times, this additional increase is too much, too fast. The increases in the local minimum wage to date, combined with numerous other local mandates ranging from mandated training, prohibitions on products, myriad taxes, employer-employee relations, have been challenging for these businesses to absorb. This doesn't even take into consideration what is happening at the federal and state level.

The cumulative impact of these mandates is costly and makes it difficult to have a sustainable business model. There is no more room to

- cut costs
- raise prices, or
- dip into any mythical reserves.

We believe a better way to address self-sufficiency is by creating more opportunity.

Unfortunately, that position has been grossly misrepresented.

In the article attached to my testimony from Maryland Reporter (7/25/17), Councilmember Elrich is quoted as saying the members of the Montgomery County Business Coalition are **"perfectly happy to have people earn bad wages and live in poverty."**

Based on that assertion, it is evident that he has not considered the hours of testimony by us and others who advocate on this issue and other issues for a strong community. We provide powerful examples of our members who are Montgomery County residents and employers investing in their staff and the community. The input and ideas from employers matters in the process of formulating public policy. After all, if a business cannot remain profitable, who will provide jobs to our residents?

In the same article, Councilmember Leventhal says that '**it is desirable that individuals find adequate income working hard in the private sector.**'

We agree. But does 'adequate income' mean minimum wage?

The Council staff report from January 2017 states that prices have increased at a faster rate in our region than in others across the country in the last few years. A higher minimum wage will not be 'adequate' to make living in Montgomery County more affordable.

Rather than making it more difficult for employers to grow and succeed, let's continue to work together to find ways to create more opportunities for more jobs that do provide self-sustaining wages.

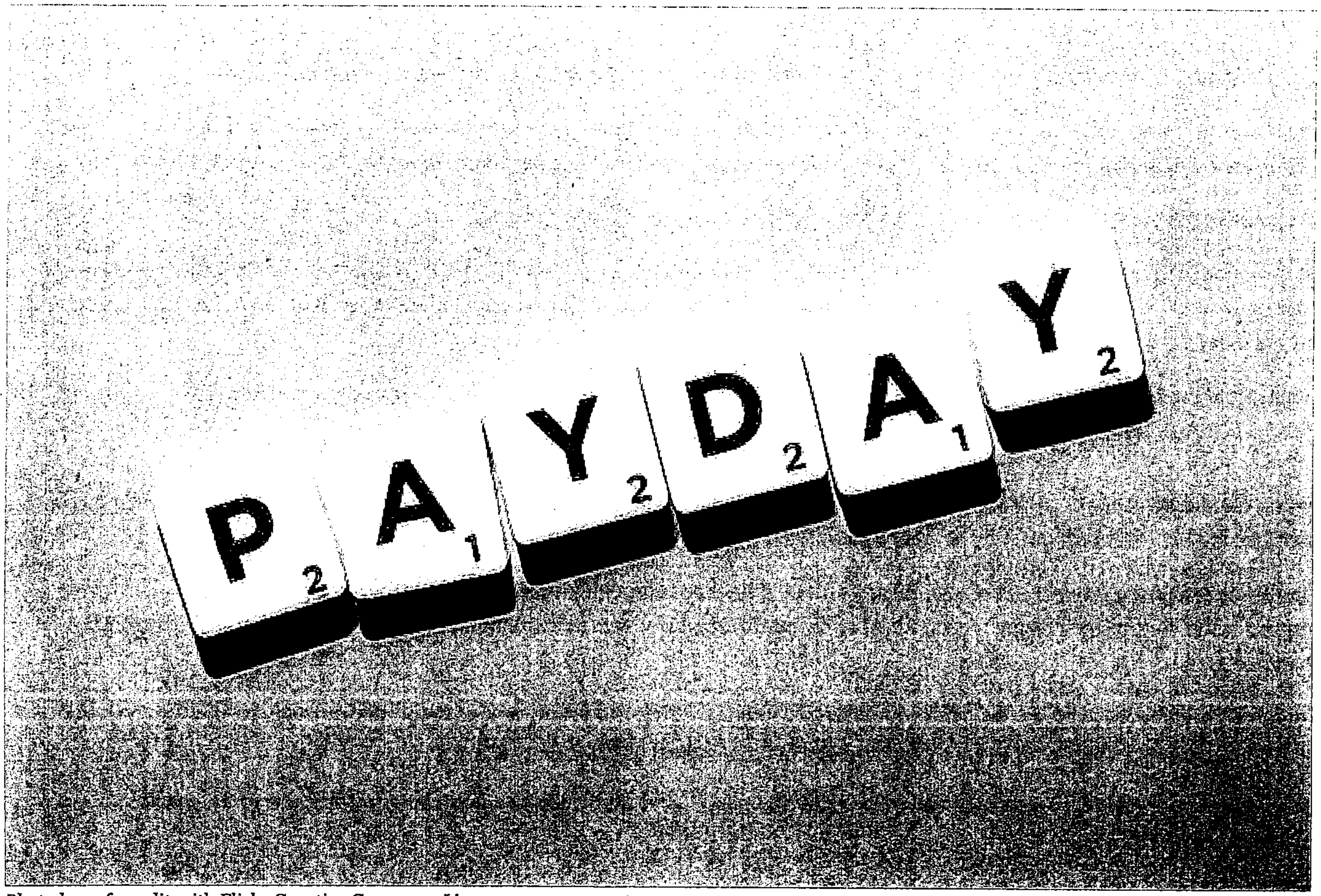
We believe a more sustainable approach to creating more opportunities for more residents is through laws that support our business community in Montgomery County. A strong local economy builds a strong community with opportunities for more of our residents.

Therefore, we recommend that you do not pass this proposal as written.

MarylandReporter.com | (http://marylandreporter.com/2017/07/25/montgomery-businesses-ream-county-council-for-reintroducing-15-minimum-wage-bill-before-impact-study/)

Montgomery businesses ream County Council for reintroducing $15 minimum wage bill before impact study

By **Glynis Kazanjian** | July 25, 2017



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By Glynis Kazanjian

For MarylandReporter.com (http://MarylandReporter.com)

The Montgomery County business community blasted the majority of the Montgomery County Council for re-introducing a revised $15 minimum wage bill (http://montgomerycountymd.granicus.com/MetaViewer.php?view_id=169&event_id=5034&meta_id=141980) without waiting for a county-ordered economic impact study.

"This is a surprise," said Gigi Godwin, president of the Montgomery County Chamber of Commerce. "And it's disappointing. The County Council couldn't wait for the county government's report on the facts. Where's the public policy process? This is baffling."

The Montgomery County Business Coalition called the bill's sponsors – Councilmembers Marc Elrich, George Leventhal, Hans Riemer, Tom Hucker and Nancy Navarro — irresponsible and demanded the legislation be withdrawn. Both lead sponsor Elrich and Leventhal are candidates for Montgomery County executive.

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Godwin said the business community participated in surveys and focus groups in preparation for the impact study and asked the council to hold off on a revised bill until the results were known.

County Executive Ike Leggett vetoed a similar version of the bill in January primarily over his concerns about the potential economic impact on business and entry-level jobs for younger workers. Leggett required the study for reconsideration of passage.

The study by PFM Group is due this week.

The original bill passed the council 5-to-4, but needed six votes to override Leggett's veto.

Elrich unfazed

Elrich was unfazed by the coalition's response.

"I already know how they feel," he said. "They're not going to change how they feel. They're perfectly happy to have people earn bad wages and live in poverty. I'm not willing to do that."

The minimum wage in Montgomery just went up to $11.50 July 1, $2.25 an hour more than the state minimum.

Elrich said the community at large would have two months to review the revised bill and the impact study before a public hearing tentatively scheduled for September 26. The Council held its last session Tuesday before breaking for a six-week summer recess.

"I expect the bill to be amended," he said. "I want a baseline that we're working from."

The proposed bill phases in over three years, increasing the minimum wage to $15 an hour by July 1, 2020 for most employers. Businesses with fewer than 26 employees would have until 2022 before they are required to pay the $15 wage, but Elrich said he expects that to change, possibly to 50 employees.

Nonprofit organizations and community and home-based service businesses would also fall into the 2022 schedule.

Rice not on board yet

County Councilmember Craig Rice, District 2, who voted against the bill in January, could be the swing vote when the Council considers the bill. But he's not fully on board yet.

Tuesday he said not everyone in the community was represented in the bill. Rice said workers 16 years old to 25, including people of color who represent the largest number of unemployed workers in the county, would face competition with a higher minimum wage.

Employers will choose to hire older, more experienced people willing to work for a higher minimum wage, before they will take a chance on a younger employee who may be less polished and less experienced, he argued.

"Competition is created between the two [groups]," Rice said. "That places the 16-to-25 demographic out of the market, especially people of color."

Rice also argued that there still should be value placed on young people who learn responsibility through working.

"If we are going to have a policy to address this inequity, we can't carve out a few people without talking about other groups who are affected by this as well," Rice said.

He said the bill may force businesses to lay people off or stop hiring.

"That's just not ancillary," Rice said. "How are we going to mitigate that? You can't just gloss over that."

Relying on social welfare

Co-sponsor Leventhal said if the county doesn't help impoverished community members they will continue to be reliant on social welfare.

"You face the question of whether paying a decent wage is the right thing to do even if there is some small, limited amount in hiring reduction, even if employers may potentially offer fewer very low wage jobs." Leventhal said Tuesday. "That in and of itself doesn't tell you it's the wrong thing to do. To expect individuals to work at a wage that you just can't possibly live on creates an unsustainable conflict.

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"And I absolutely agree with Mr. Elrich, it leads to the drawing down of public benefits at the public's expense when private employers really should be shouldering that expense. It is not reasonable for people who work full time for people to have to rely on SNAP [food aid], TANF [welfare payments] or even Medicaid. It is desirable that individuals find adequate income working hard in the private sector."

Union support

One of the county's largest unions, SEIU Local 550, that has approximately 8,500 employees in Montgomery County public schools, also supports the legislation. A spokesman for the union said support of the bill by county executive candidates would be a consideration for an endorsement.

"We absolutely support the bill," SEIU Local 500 spokesman Christopher Honey said. "I wouldn't say it's a litmus test, but it is absolutely a test of leadership and something that would be looked at. [Our] endorsement has multiple steps and is not based on one single thing, but this is a big issue. To say it would not be important to our members would just be wrong."

Honey said most of SEIU's members would not be affected by the minimum wage bill, but families of the children in Montgomery County schools would benefit.

"By raising the minimum wage, you can lift up so many families in Montgomery County," Honey said. "A benefit to working people is ultimately a benefit to the whole community. Montgomery is actually much more diverse than people think – a lot of immigrant families and a surprising number of low income families."

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GREATER SILVER SPRING
CHAMBER OF COMMERCE

The Greater Silver Spring Chamber of Commerce
Testimony Submitted for the Record
Bill 29-17, Human Rights and Civil Liberties – County Minimum Wage

The Greater Silver Spring Chamber of Commerce opposes Bill 29-17, which would increase the County minimum wage for most employers to $15 per hour by 2020. Our Chamber represents more than 470 employers, mostly small businesses, and several non-profit organizations in the greater Silver Spring area.

Our member business owners take pride in being able to take care of their employees. It's in businesses' best interests to invest in their most valuable assets – their employees. This is particularly true in a competitive marketplace when unemployment is low and good people are not easy to find. The majority of our members already pay above the current medium wage, and many provide additional benefits like paid health insurance, a 401k plan, and more. Many underwrite the cost of training for their employees, making them not only more valuable employees, but giving them an additional leg up in the marketplace, whether or not they remain with their current employer.

When we asked several of our members how they would deal with the requirements of this bill, most said that they would love to be able to pay their employees more. But they simply cannot figure out how to do so. Increases in the county minimum wage to date, combined with countless other mandates like paid sick leave, coupled with the ever-increasing cost of health insurance, and an exorbitantly high energy tax, have been challenging for these businesses to absorb. Business owners and non-profit managers have already cut costs as deeply as possible and whatever reserves they might have had have been eliminated by these increasing expenses. Some businesses might be able to increase their prices. Non-profits might be able to raise more donations. But more likely, both will look to reduce the size of their workforces, cut un-mandated benefits and, likely, reduce staff, or cut back hours for current staff. We've already seen this happen as lower level cashier jobs are being replaced by kiosks and delivery employees are being replaced by things like "Uber Delivery."

Increasing the minimum wage does not just impact those making minimum wage; it effects the entire salary structure. There is a reason why some people make more money than others. Whether it is based on education, experience, skill, working conditions, risk, supply and demand, or other factors. Salary schedules take all those characteristics into consideration. Arbitrarily moving starting salaries will have an impact on the entire system.

Unfortunately, continuing to heap government mandates on employers hits hardest on small and medium-sized businesses. Very large businesses are likely already paying above market wages and can absorb this kind of regulation more easily than small and medium-sized businesses. This bill acknowledges the burden on very small businesses, but is still too much too fast for them to absorb. It does not address the challenges faced by medium-sized businesses that are trying to grow into large businesses – those in the business "middle class." The continued push by the national Fight for $15 movement, being spearheaded by SEIU, is simply too steep of an increase for them to handle at this time. It is simply too much too fast.

This proposal will also result in the unintended consequence of harming many middle-class families who must provide financial support to care for elderly parents and grandparents. While, as written, the bill provides a slower implementation period for some home health service providers, it limits that benefit to those who receive most of their income through Medicaid. The reality is that a very large segment of the population in need of home health services are middle class families who need to care for elderly parents, and whose parents do not qualify for Medicaid or state/federal subsidies.

The bill also purports to provide some sensitivity to economic factors in the county by allowing the Executive to suspend the annual increases if the Director of Finance determines that conditions cannot handle the increase. However, the Executive can suspend the increase no more than two times, no matter what is going on in the economy. And, this "off ramp" applies only during transition period.

The minimum wage was never conceived to be a sustainable, life-long wage. Minimum wage positions are often considered jobs on the 'first rung' of the ladder. If we as a community want to make a difference in the lives of low-wage earners, we need to create more opportunities so that low-income earners can move from minimum wage jobs to higher wage jobs. This means focusing on attracting more employers who can offer more jobs, not exacerbating the challenges that already exist.

A county minimum wage of $15 per hour by 2020 is simply too much too fast. While the proponents will argue that the increases of the past couple of years were easily absorbed by business owners, those employers would disagree. Even the County's own Progressive-leaning economist experts expressed concern to Councilmembers in 2013 that a minimum wage of more than $11.00 or $11.50 per hour would be unsustainable for businesses. The County wage just reached that level this summer. The reality is that no one yet can know the eventual impact on businesses, and on jobs, particularly jobs for the most under-educated and inexperienced in our community.

Now is not the time to add on additional increases. Now is the time to step back and assess how both businesses and our economy responds to the increases, and look for more programs that support business growth and prosperity.

For these reasons, we ask you to reject Bill 29-17.

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Contact: Maddy Voytek
Legislative and Membership Director
mvoytek@mdra.org
410.269.1440

Oral Testimony in opposition to the proposed $15 minimum wage (Bill 28-17)

- I want to begin by drawing your attention to Seattle, WA, where the wage mandate is now $13/hour. A University of Washington study* found that the average employee lost $125/month as a result of the increased wage mandate. The same study found that over 5,000 low-wage jobs in Seattle were eliminated because of this massive 37% wage increase.

- Raising the minimum wage doesn't happen in a vacuum- it increases unemployment insurance costs, worker's compensation costs and taxes for employers coupled with the passage of paid sick leave here, it would be prudent to carefully monitor the impact of the county's increase as well as paid sick leave.

- Retailers care greatly for their employees, every business and every retailer, wants minimal turnover and wants to provide salaries and benefits that will keep their workplace competitive and their employees happy. Many factors are assessed when determining what they can and cannot provide, but a budget is a budget and many retailers have finite resources. So with that, we would respectfully ask for an unfavorable report on this legislation.

*https://evans.uw.edu/sites/default/files/NBER%20Working%20Paper.pdf

RESTAURANT ASSOCIATION MARYLAND

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Council Bill 28-17

Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment

September 26, 2017

Position: OPPOSE

Council President and Members of the Montgomery County Council:

We strongly oppose CB 28-17. Passage of this legislation would significantly increase local labor costs, making it even more challenging to operate a restaurant business in the County. A $15 minimum wage will surely drive some businesses out of the County and deter others from opening here.

Mandates that significantly increase the cost of labor impact our industry disproportionately. The restaurant industry is extremely labor-intensive, and requires 4 times more labor per $1 million in sales than the average of most other industry sectors in the State. The attached chart (using U.S. Census and Bureau of Labor Statistics data) clearly illustrates this important distinction.

Moreover, with a narrow average profit margin of only 4 percent for our industry, every $1,000 in increased costs requires $25,000 in increased sales just to break even. The average full-service restaurant with $1 million in annual sales nets only about $40,000 in profit. Such a significant increase in labor costs, as proposed by this legislation, will severely restrict a restaurant owner's ability to reinvest profits to grow business in the County and continue to provide job opportunities.

Price increases cannot fully offset the rising local labor costs because customers balk at higher prices that come with no additional value. Businesses that have increased their prices to absorb the higher labor costs have experienced declines in customer traffic and sales. Also, competition in the highly saturated, Washington-region hospitality market makes passing on these costs even more challenging. If we could raise our prices to fully cover the costs of higher minimum wage mandates without consequences, we would have done so already.

As the current $11.50 minimum wage was implemented, many restaurants have reduced employee working hours, and have also consolidated or eliminated positions to avoid raising prices beyond what customers will accept. Some quick-service restaurants are also experimenting with electronic kiosks for customer ordering. And new restaurants/concepts are utilizing more limited-service business models and purchasing more ingredients pre-prepped to further reduce labor costs. The fact of the matter is that higher minimum wage mandates are forcing our businesses to modify operations at the expense of the very employees such mandates were intended to help.

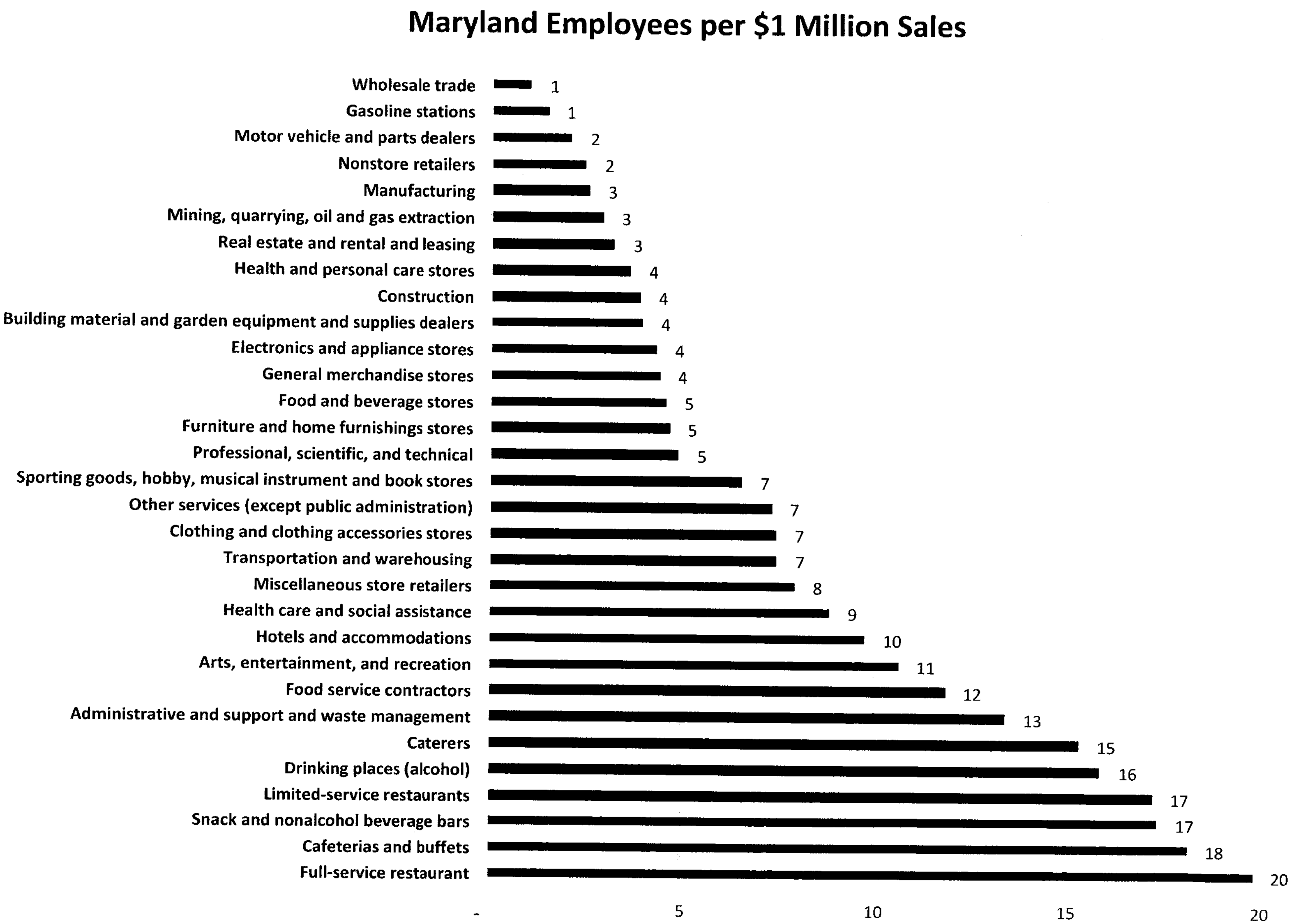
For these reasons, we oppose this legislation and urge you to reject it.

Sincerely,

Melvin R. Thompson

Melvin R. Thompson
Senior Vice President

Restaurant Association of Maryland 6301 Hillside Ct Columbia, MD 21046 410.290.6800 FAX 410.290.6882



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Calculated Using U.S. Census Bureau, 2012 Economic Census

PLAMONDON COMPANIES
4991 New Design Road, Suite 109 • Frederick, MD 21703 • T: 301-695-5051 F: 301-695-5066

September 25, 2017

Montgomery County Council
100 Maryland Avenue
Rockville, MD 20850

Re: Montgomery County Minimum Wage

Dear Council Members,

My name is Jim Plamondon and together with my brother Pete, we own the Roy Rogers Restaurants brand. I am submitting this written testimony to express my strong opposition to the bill proposing to increase the minimum wage again in Montgomery County.

Specifically, we own Plamondon Enterprises, Inc. and Roy Rogers Franchise Company, LLC. Together, these companies represent all 54 Roy Rogers Restaurants which operate in six states in the mid-Atlantic—MD, VA, WVA, PA, NY and NJ. Twenty-four of those restaurants are company restaurants while 30 are franchised locations. We have four company restaurants in Montgomery County—Germantown, Gaithersburg, Rockville and Burtonsville—and one franchised location in Aspen Hill. We grew up in Montgomery County and are now headquartered in Frederick, MD and have been in business there since 1980.

Roy Rogers is a quick service restaurant that serves among other things roast beef, burgers and chicken. We are strategically focused on quality, variety and choice. Our 24 corporate locations employ over 1000 associates and our commitment to hospitality is what sets us apart from the competition. Competition is fierce in our industry as we are a relatively small chain competing with the likes of McDonalds, Burger King, and Wendy's to name just a few. Our profit margins are very low—a successful restaurant might earn $.03 on the sales dollar. This year, with sales down and increased costs, that margin is lower.

We have already experienced an unprecedented increase in the minimum wage in Montgomery County as a result of prior legislation. Labor costs in our business are roughly 30% and they are 2-3% higher in Montgomery County than in other parts of the state as well as other markets. A higher minimum wage then forces us to raise the pay of other tenured associates. The higher minimum wage, coupled with the enacted sick leave, have made it virtually impossible for us to be profitable in the county.

As a result of the increase minimum wage, we have increased our prices several times at our restaurants in the county—higher than in other markets. As a result, our customer traffic is down—more in Montgomery county than in other jurisdictions. Further minimum wage increases will force us to increase our prices even more, thus leading to lower guests counts and sales. This is a downward spiral that is untenable for a business.

The passage of this legislation hurts the very people the sponsors seemingly intend to help. For many, the restaurant industry is a great place to start a career and learn basic job and service skills. Many of our associates are young people, ages 15-18, working their first job or on a part-time basis. Our associates are the spouse of another working individual, a senior looking for a way to keep busy, or working part time as a supplement to another job. They are NOT the "single mother of three trying to raise a family."

As a business, with labor costs rising, we must seek ways to reduce labor expenses and this will hurt the Montgomery County residents we currently employ. We limit hours and are far less likely to hire at such a high rate young people who have never had a job before. This year, for example, we will be testing kiosks and other methods to take labor out of our business. This is the opposite of what we would like to do—hire more people and give them more opportunities.

The County must stop telling businesses how much they should pay and what benefits that they should provide its employees. Let the market dictate wages and benefits. My company will hire more and better employees—and we do—by making our own decision to pay a higher wage or offer better benefits than our competitors. That is the way the market can and does work. Moreover, the very simple way to earn higher wages and benefits is to do a good job, receive merit increases, and ultimately get promoted. That is what we do with our associates. Do NOT try to legislate this for us.

Montgomery County continues to be the least appealing county in which we do business. This legislation is yet another disadvantage to us when considering future growth in the county. I urge you to consider the negative impact –both short and long term--on our business, and our employees who are county residents, when you make these decisions. We oppose this legislation and urge you to explore ways to help businesses grow and employ more residents in the county.

Sincerely,

Jim Plamondon

James Plamondon
Co-President

Cc: Marc Elrich, Nancy Floreen, George Leventhal, Hans Riemer, Roger Berliner, Craig Rice, Sidney Katz, Nancy Navarro, Tom Hucker, Melvin Thompson

AGRICULTURAL ADVISORY COMMITTEE

September 25, 2017

The Honorable Roger Berliner
Montgomery County Council President
100 Maryland Avenue
Rockville, MD 20850

Dear Council President Berliner: Bill 28-17 County Minimum Wage

On behalf of the Montgomery County Agricultural Advisory Committee-AAC please accept this letter of our opposition to Bill 28-17 County Minimum Wage.

The AAC continues to be concerned how this Bill 28-17 will result in Montgomery County being at a competitive disadvantage when compared to our neighboring jurisdictions.

The AAC supports an "exemption for small businesses" that should be included in the Bill and agricultural businesses should be included within the definition of small business. There is confusion on how the Federal and State agricultural worker's exemptions are applied to the minimum wage. If a farmer employs more than 6.4 employees that work 6 days per week for a quarter of the year, then the minimum wage is required to be paid.

There are several farms in the County with agricultural workers (Butlers Orchard, Homestead Farm, Lewis Orchard and Rock Hill Orchard) where the County minimum wage is required to be paid to these workers. Workers that are running the cash registers at farm markets do not qualify for the agricultural exemption.

Increasing the County Minimum Wage will represent yet another cost of production that will negatively impact the profitability of agriculture and the farmers that are required to pay it.

Thank you again for the considering the views of the AAC on this Bill 28-17.

Sincerely,

Doug Lechlider

Doug Lechlider, Vice Chairman of the AAC

Cc: Isiah Leggett, County Executive

Agricultural Services www.montgomerycountymd.gov/agservices
18410 Muncaster Road · Derwood, Maryland 20855 · 301-590-2823 · FAX 301-590-2839

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32BJ SEIU
Stronger Together

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www.seiu32bj.org

Montgomery County Council

Bill 28 – 17, Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment

Testimony of Jaime Contreras

September 26, 2017

Good evening Council President Berliner and Council Members. Thank you for the opportunity to testify here today. My name is Jaime Contreras, Vice President of 32BJ SEIU and Director of our Capital Area District.

32BJ represents over 163,000 mem and women, including 18,000 members here in the capital area, who make their living in property services – commercial cleaners, janitors, security officers, window cleaners and airport workers. We are diverse, hailing from 64 different countries and speaking 28 different languages, but we are united in our mission to raise job standards and improve the lives of workers and their communities.

The right to earn a family sustaining wage is central to our fight. No one who puts in hard day's work should go home without enough to support themselves and their loved ones. At the current County minimum this is a near impossible task. The Economic Policy Institute estimates that the cost of providing a modest standard of living for a family of four in Montgomery County is almost $80,000. This equates to a wage of over $19 an hour if there are two income earners in a household.[i]

For low-wage workers, an increase in the minimum wage to $15 will not mean luxury, but it will mean a huge step forward on the path to living a more secure life.

The time is right for Montgomery County to give its low wage workers a much needed boost. It ranks among the top 20 wealthiest counties in the country,[ii] has an unemployment rate well below the national and state level,[iii] and is neighbored by Washington D.C. which has already moved to set their workers on a path to $15.

There is no excuse for Montgomery County not to act.

We urge the Council to not be swayed by the unfounded alarmism of those of oppose a fair wage for all workers. The study commissioned by County Executive is deeply flawed – it presents job impact estimates that far exceed those of other minimum wage studies and uses a methodology that relies upon the hypothetical predictions of employers to a wage increase that is grossly exaggerated in the study's survey.[iv]

Rather than be deterred by the study that presents recommendations directly in line with the policy preferences of the County Executive who commissioned it, we ask council members to simply consider the experience of the county since it began to independently set it minimum wage in 2014. During this time the minimum wage has increased from $7.25 to $11.50, while the county has added more than 21,000[v] jobs and the unemployment rate has fallen from 4.3 to 2.9%.[vi] The council should note that the proposed increases in this bill are smaller proportionately than those already successfully implemented.

Further still, and perhaps most importantly, I ask the council to consider the impact the proposed increases will have on the lives of workers like José Ventura who testified here tonight. There is no methodological error in their assessment that better pay equals better lives.

On behalf of our members and all low wage workers I strongly urge the council to pass a clean $15 minimum wage without exclusions or delays based on age, occupation or employer size. There is no need either for an economic exit lane that would result in workers being denied much needed increases. After years of real wage stagnation – it is not wages of the lowest paid that should be used as a buffer for economic fluctuations - but the fiscal and monetary policy tools available at the state and federal level.

The time is right and the conditions are right for low wage workers to get a raise. Let's pass this bill and make sure no working families are left behind.

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[i] 2014 Dollars. See, EPI's Family Budget Calculator: http://www.epi.org/resources/budget/

[ii] By median income Montgomery county ranks 19 amongst 3,194 counties, see 2015 Small Area Income and Poverty Estimates: www.census.gov/

[iii] April 2017: Federal unemployment rate – 4.1%, Maryland - 3.9%, Montgomery County – 2.9%. BLS data, updated June 13, 2017.

[iv] http://www.epi.org/blog/the-montgomery-county-minimum-wage-impact-study-is-absurd-junk-science/

[v] Total Montgomery County Employment, September 2014 – 519,176, April 2017 – 540,301. BLS data, updated June 13, 2017

[vi] BLS data, updated June 13, 2017

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Helping People. Changing Lives.
community Action
PARTNERSHIP
MONTGOMERY COUNTY, MARYLAND
COMMUNITY ACTION AGENCY

Montgomery County Community Action Board
County Council Testimony
Bill 28-17 Human Rights and Civil Liberties – County Minimum Wage
Tuesday, September 26, 2017

Pamela Luckett
Community Action Board Chair

Good evening President Berliner, Vice President Riemer, and members of the Montgomery County Council. My name is Pamela Luckett and I am the Chair of the Montgomery County Community Action Board.

I am here this evening to express the Board's strong support for increasing the County's minimum wage to $15. The high cost of living in Montgomery County causes low-income families to struggle when trying to pay for necessities like housing, childcare, transportation, and food. According to the Self-Sufficiency Standard, a single parent with one preschooler and one infant would need to earn an hourly wage of $48.92 to pay for those necessities in Montgomery County. This is nearly $34/hour more than the proposed minimum wage and $37/hour more than the current minimum wage. I mention this only to help put this debate in perspective and highlight the extreme income inequality that many of our County residents face.

As a voice of the low-income community, and with a third of our membership representing this sector, the Community Action Board often hears from residents who would be directly impacted by this increase. Recently, during interviews for the second cohort of our Community Advocacy Institute (an advocacy training program for low-income residents), two female applicants stood out to me. One woman was African American, and one was Caucasian.
One had two Master's Degree; the other had a Master's and has completed work toward her doctorate. Both are employed full time, but neither made above $54,000/ year, which is the

income ceiling for the program. One woman had one child and the other had two, but neither was receiving child support from the fathers, in spite of numerous efforts to do so. One pays one entire paycheck each month for rent: $1500/month for a one-bedroom apartment. The other woman confessed that she and her daughters were homeless. Both women mused aloud, wondering what they had done wrong: They were educated women, working full time each day. Each woman clearly showed their emotions as they expressed their desires to learn how to become effective advocates for affordable housing and higher paying jobs in the County.

Why am I so specific in their descriptions? Because sometimes, we have our own picture of who is looking for an increase in the minimum wage. The reality is that many times, those individuals look just like you or I, but they fall into the paradox of many in Montgomery County: Too rich to be poor and too poor to be rich. Dr. Diana Pearce, author of the Self-Sufficiency Standard, reports that increasing wages is the most effective tool to help low-income workers move towards self-sufficiency.

These residents are struggling daily and look to you, our elected officials, to implement policies that will increase self-sufficiency. The Community Action Board firmly believes that passing this bill, in conjunction with your policies to improve access to affordable housing, early education and childcare, will contribute to positive changes in their lives. We are grateful to you for your efforts to pass this Bill as written, allowing the minimum wage to increase to $15 for our residents.

Thank you.

GINO RENNE PRESIDENT
YVETTE CUFFIE SECRETARY-TREASURER
NELVIN RANSOME RECORDER
WWW.MCGEO.ORG

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UNITED FOOD & COMMERCIAL WORKERS LOCAL 1994 600 SOUTH FREDERICK AVENUE SUITE 200 GAITHERSBURG, MD 20877 301-977-2447 800-948-0654 FAX 301-977-6752

Testimony of Amy Millar, UFCW Local 1994 MCGEO

In Support of Bill 28-17

September 26, 2017

On behalf of Local 1994 and the 6,000 members and families we represent in Montgomery County, we are here this evening to express our strong support for Bill 28-17. Montgomery County working families need a raise now.

While the overwhelming majority of our members earn more than the proposed minimum wage, our union believes that all working people – whether they work in public services, retail, fast food, home care, or restaurants – deserve to be paid fair wages for their work.

Montgomery County is an expensive place to live and work; one of the most expensive in the nation. To meet the basic needs of a single adult, a worker in 2017 must earn over $20 an hour. To meet the needs of an adult with a child, a worker must earn over $32 per hour. Yet, the current minimum wage still stands at $11.50, close to half of what's needed to meet basic expenses as a single adult.

Every single day, our members in the Housing Opportunities Commission, the Department of Health and Human Services and other County agencies and departments struggle to assist hard working Montgomery County residents make ends meet.

Bill 28-17 is a crucial step in allowing County minimum wage workers to get closer to meeting their families' needs and achieving self- sufficiency.

Opponents to this bill still argue that a higher minimum wage will cost jobs and revenue in the County, but the facts don't support such an argument. The White House Council of Economic Advisors compared economic data on states that raised the minimum wage since 2009 with those that did not. They found increased minimum wages had no impact on employment levels or hours worked.

Fifteen other jurisdictions, including our neighbors in DC have raised the minimum wage to $15. It's time for Montgomery County to join this list.

Local 1994 opposes calls by the Executive and others to delay implementation or weaken this bill. Over 100,000 of our neighbors desperately need this raise now. And we cannot keep kicking the can down the road.

Oral Testimony: Ethan Kaplan

My name is Ethan Kaplan. I am an Associate Professor of Economics with tenure at the University of Maryland at College Park. I am also a resident of Montgomery County. I am here to testify in favor of the $15 an hour minimum wage.

First, I want to stress that the Montgomery County minimum wage study's estimates are far outside the range of academic evidence on the topic. Moreover, the study is based on faulty methods which most economists would not find convincing. According to the Montgomery County minimum wage study, raising wages to a $15 minimum would cost the county 45,000 jobs by 2022. The study's numbers suggest over 7% of all employed people would lose their jobs. But these numbers are biased because the study asked firms to project how many fewer workers they would hire in the presence of an increase in the minimum wage. Economists are well aware that employer judgments of policy impacts are both highly unreliable and biased, which is why economists focus on how employers have actually behaved following past minimum wage increases rather than how employers say they would behave following future minimum wage increases.

Second, I would like to explain how we can use the best minimum wage studies to project the likely employment impacts of the policy proposal. The best minimum wage studies look at neighboring pairs of counties in different states which border state lines and where the two states have differential changes in the minimum wage. This allows for comparison of economically similar regions which, due to a difference in politics, have differences in minimum wage levels. For example: Montgomery County, Maryland and Fairfax County, Virginia are neighboring counties which have similar income distributions. They rank 13th and 3rd in the nation respectively in median household income. They are also similar in industrial composition with heavy reliance upon federal government employment and employment in high-end services. However, their respective state minimum wage policies are controlled by Annapolis in the case of Montgomery County and Richmond in the case of Fairfax County. Thus, the current minimum wage in Fairfax County is the federal minimum wage of $7.25 per hour whereas, in neighboring Montgomery County, the minimum wage is 20% higher at $8.75.

The evidence from this line of research is clear. Overall, there is little indication of job losses from the type of minimum wage increases that we have seen in the United States to date.

To be sure, a sufficiently high minimum wage would probably lead to employment losses. However, we have good evidence that for minimum wages that are 55% of the full-time worker median wage, there are no statistically detectable negative employment effects. To put this in perspective, the federal minimum at its historical height back in 1968 was close to 55% of median wages of full time workers and at that time, the unemployment rate was a mere 3.6%.

Let's now turn to Montgomery County. By 2018, the median wage for full time workers in Montgomery County is expected to be just below 54% of the county median wage. I leave the details of my calculations to my written statement. This, however, implies that even if fully implemented already in 2018, the Montgomery County minimum wage would be at a level where there is little evidence of an adverse effect on employment. As the county with the 15th highest median wage in the country, Montgomery county will be able to absorb a $15 minimum wage without noticeable employment loss. So the downsides are expected to be small.

Third and finally, I would like to review the upsides to raising the minimum beyond the impacts on worker wages. For example, studies have shown that minimum wages have led to reduced poverty (which would likely be between 6 and 15 percent from the current proposal), improvements in infant health through better nutrition, and even reductions in public benefit usage. I review this literature in greater detail in my written statement. I stand here today in favor of the proposal.

Additional Written Comments:

Minimum Wage Employment Effects Calculation: According to the Bureau of Labor Statistics, in 2015, the median wage in Montgomery County stood at $23.65. Full-time worker wages are roughly 10% higher. Factoring in a 3% wage growth per year, in 2018 the median wage for full time workers in Montgomery County is expected to be around $27.58. Thus, a $15 minimum wage would be around 54% of this median wage. In other words, even if fully implemented already in 2018, the Montgomery County minimum wage would be at a level where there is little evidence of an adverse effect on employment. As the county with the 15th highest median wage in the country, Montgomery county will be able to absorb a $15 minimum wage without noticeable employment loss. Most likely the effects of the cost increase to business will be mitigated through a combination of small increases in prices of goods and services, some reduction in profits, some increase in worker productivity and lower labor turnover. Finally, there will be some boost to demand as workers spend some of their added income in the local economy.

Poverty Reduction and Minimum Wage Increases: In a recent article, Arindrajit Dube shows that a one percent increase in the minimum wage reduces poverty by between 0.22% and 0.55%. Applying this paper's findings to Montgomery County, increasing the future minimum wage from $11.50 to $15 would decrease poverty by 6 to 15 percent. This paper currently is being revised for publication in the *American Economic Journal: Applied Economics*. Related findings also show improvements in infant health from poverty reduction as well as directly from minimum wage increases (Wehby et al., 2016).

Public Sector Benefits: Recent work (Dube, 2016; Reich and West, 2015) has shown that some of the benefits of an increase in the minimum wage accrue to taxpayers through reduced use of public programs such as SNAP (Food Stamps), TANF (Welfare), and the EITC. The reduction in public sector benefits amount to approximately 28% of the total income gain from resulting from minimum wage increases (Dube, 2016). About half of these reduced public expenditures come from reduced non-cash transfers such as SNAP, while the other half comes from reduced tax credits such as the EITC. We should note that these fiscal improvements will largely accrue to the Federal Government and to some degree the state government, not the county government. The government benefit reductions occur primarily for people at the 10th to 20th percentiles of the wage distribution. Therefore, I expect very little benefits will accrue to the county from pushing people out of partially county-funded Medicaid onto Federal Subsidies for the Affordable Care Act health care exchanges.

Economist Opinion: The IGM Forum at the University of Chicago Booth School of Business surveys top economists across the country on a important policy questions. In September, 2015, they asked the following to the panel of economists: "If the federal minimum wage is raised gradually to $15-per-hour by 2020, the employment rate for low-wage US workers will be substantially lower than it would be under the status quo." Only 26% of the panel agreed with that statement. Note that a federal minimum wage of $15 per hour would be much more binding on most of the country than on Montgomery County, since Montgomery County has the 15th highest median wage in the country. Therefore, this panel of economists would likely be even less concerned about a substantial employment effects from raising the minimum wage to $15 by 2022 in the high-wage Montgomery County. The IGM survey results can be found here: http://www.igmchicago.org/surveys/15-minimum-wage.

Why Minimum Wage Effects on Employment are So Low (more technical): In the past 20 years, economist understanding of low wage labor markets has changed dramatically. This began with the work of David Card and Alan Krueger (1994), who wrote the original paper estimating the impact of the minimum wage in a credible way by comparing neighboring towns in different states when one state increased the minimum wage and the other did not. Their original findings suggested no negative employment effects.

Let me discuss the economic theory behind the minimum wage. If wages are determined purely by supply and demand for labor in a competitive labor market, then employers pay workers exactly how much they value their work. In this case, a government mandated minimum wage increase pushes wages above the value to the firms of workers' work, causing firms to lay off some workers. These layoffs will be modest if firms' demand for labor is inelastic (i.e., insensitive to wage changes). For example, if a coffee shop is able to easily shift the cost increases to customers as higher prices—because their competitors are also doing the same—their demand for workers will tend not to be sensitive. Raising prices is more difficult to do in sectors like manufacturing where companies compete for customers at the national or even international level. Today, most minimum wage workers today are in the service sector (like restaurants and retail), where price pass through is common. Since, even in the service sector, a 20% increase in minimum worker wages will only increase total costs by a only a few percentage points, price increases resulting from minimum wage increases are usually quite modest.

There are other important features of the low wage labor market, which also help explain small employment effects. In their original 1994 paper, Card and Krueger proposed that labor markets might not be competitive but rather that employers might have some market power to set wages below the value of the worker to the firm. The reason employers have this wage setting power is because it is costly for workers to search and find a job, thereby reducing their ability to quit if employers don't given them a raise. It takes time for workers to search and find a job and if, in the meantime, workers are exposed to substantial economic risk then workers may stay even if they get less than the value of their work. This is particularly true for low-wage workers who often do not have reserve financial assets and thus for whom risks of long unemployment spells are often dire. Search theory (otherwise known as monopsony theory or frictional labor market theory) was at the same time being developed by economists Dale Mortensen and Christopher Pissarides, who later shared the 2010 Nobel Prize in Economics for their work on this topic. Around the same time, economist Alan Manning wrote the well-cited book **Monopsony in Motion,** which provided empirical evidence for monopsony theory. This body of theory implied many interesting facts about labor markets, many of which have been empirically verified. However, for the minimum wage, it implied that when governments raise wages, since firms were already making profits on employing workers at wages below the value that those workers produced for the firm, employers would not release employees from employment. A higher minimum wage will tend to reduce vacancies and reduce turnover, as these jobs become more attractive to workers. A large enough increase in the minimum wage, of course, would eventually lead wages to rise about the value to firms of employment. However, small to modest increases would not reduce employment.

Seattle Study Comment (more technical): The Montgomery County minimum wage report cites a new study of the Seattle minimum wage by Jardim et al. (2017). It is important to note that as of yet, it is an unpublished working paper that has not undergone the rigorous process of peer review. Importantly, the paper has a number of severe methodological flaws and has received criticism from many leading economists. Let me note the four most important:

(1.) The paper estimates the impact of the Seattle minimum wage increases by comparing employment within occupation in Seattle versus all other counties in the state of Washington before versus after the minimum wage increase. They look at employment within wage groups above the new minimum wage and the find a drop in employment in those wage groups in Seattle relative to other parts of the country. The first problem with the study is that the rest of Washington is not a good comparison group for Seattle itself. In contrast, the minimum wage studies done by look at matched county pairs across state lines are much better matched. This is born out by looking at data (employment levels, sectoral composition of employment, demographic characteristics of the populations living in the counties).

(2.) The paper compares employment under $19/hour in Seattle with employment under $19/hour in a small number of other counties in Washington state---none of them very similar to Seattle. If wages grew faster in Seattle than in this control group as a result of the minimum wage increase or for other reasons, then there would be fewer workers in Seattle earning under $19/hour than in the control group, because their wages rose above that threshold. However, the Jardim et al.(2017) study would mistakenly count this wage upgrading as job loss. Other economists have pointed out this problem, which is visible in their own results showing strong growth in high wage jobs. (Schmitt and Zipperer EPIR Report 2017) Subsequent analysis have also shown wage growth in Seattle picked up after the minimum wage increase due to the much tighter labor market in Seattle than in the rest of the state. (Dube NYT Upshot 2017). Thus, it is likely that their results are driven by wages increasing past the wage groups more quickly in Seattle than in the other counties they compared Seattle with.

(3.) The study excludes all firms with multiple locations (establishments). This means that all big chains such as Starbucks and Target are excluded from the study. Since multi-establishment employers make up a very large fraction of employment and since it is well-established that larger employers pay higher wages (and thus are less likely to be negatively impacted by a minimum wage increase), the exclusion of large employers most likely understates the degree of wage increase and overstates the degree of employment loss. (Rothstein and Schanzenbach, Econofact, 2017). Moreover, if workers move from small employers to large employers in response to the minimum wage increase as documented by other studies (Aaronson, French, Sorkin and To, forthcoming), this re-allocation would be mistakenly interpreted as job loss by Jardim et al. (2017).

(4.) An alternative study, by Michael Reich, Sylvia Allegretto, and Anna Godoey (2017), estimated the employment impact of the Seattle minimum wage in the restaurant sector which employs a very large fraction of minimum wage workers, and found no employment decline.

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Cited Economists: Often economists who are cited are not top economists in the field. I include this section which overviews some of the top economists cited above:

David Card – Professor of Economics at U.C. Berkeley. Winner of the John Bates Clark Medal (awarded to the best economist under 40 every other year at the time that David Card won).

Arindrajit Dube – Professor of Economics at the University of Massachusetts at Amherst. Well known minimum wage expert. Has testified in front of the HELP committee in the Senate.

Alan Krueger – Professor of Economics at Princeton University. Former Chief Economist of the Department of Labor. Former Chair of the Council of Economic Advisors. Former Assistant Secretary of the Treasury.

Jonathan Leonard – Professor of Economics at the Haas School of Business, University of California at Berkeley.

Alan Manning – Professor of Economics at the London School of Economics.

Michael Reich – Professor Emeritus of Economics at the University of California at Berkeley.

Jesse Rothstein – Professor of Economics and Public Policy at the University of California at Berkeley. Former Chief Economist of the Department of Labor. Former Member of the Council of Economic Advisors.

Isaac Sorkin – Assistant Professor of Economics at Stanford University.

Jacob Vigdor – Professor of Public Affairs at the University of Washington. Affiliate of the Manhattan Institute.

Economic Policy Institute

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Testimony for Montgomery County Council

Bill 28-17, Human Rights and Civil Liberties – County Minimum Wage

Tuesday September 26, 2017

Good afternoon Council President Berliner and members of the Committee.

My name is Marni von Wilpert. I serve as an Associate Labor Counsel at the Economic Policy Institute, a non-profit, non-partisan research organization in Washington, D.C., that focuses on improving the economic conditions of low- and moderate-income Americans.

I am here today to speak in support of Bill 28-17 and its establishment of a $15 per hour minimum wage for certain employers in Montgomery County by 2020.

Establishing a county minimum wage of $12.50 by July 2018 and then gradually raising it to $15 by 2020, would raise the wages of those workers who earn the least in Montgomery County. Although EPI has not conducted a specific analysis for Montgomery County, there is a large body of evidence showing that previous minimum wage increases both nationally and at the local level tend to work exactly as intended, raising wages for low-wage workers with few adverse consequences in terms of reduced employment.[i] Minimum wage increases in general largely benefit adults working full-time, many of whom are supporting families and raising children. Many people in Montgomery County who would benefit from raising the minimum wage work in the industries that are the foundation of thriving communities, such as accommodation and food service, retail, office support, residential care and child care, hospitals, and other services such as janitorial and personal care services. [ii]

Is a $15 minimum wage appropriate for Montgomery County?

Two of the most important considerations for an appropriate minimum wage level are, first, what workers actually need to maintain an adequate standard of living and, second,

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what level of a minimum wage will the labor market be able to bear while still providing adequate income earning opportunities for lower wage workers.

The first measure by which economists typically judge the appropriateness of a wage floor is by evaluating what workers actually need to maintain an adequate standard of living. For years, EPI has published and regularly updated a feature on our website called the Family Budget Calculator. This tool measures the income a family needs in order to have a modest yet adequate living standard in 618 different geographic areas in the United States. It accounts for differences in costs of housing, food, child care, transportation, health care, taxes, and other necessities.

Compared with the federal poverty line, EPI's family budgets provide a more accurate and complete measure of economic security in America. In particular, for a two-parent, two-child family in the Maryland suburbs of Washington, DC, it costs $82,129 per year to secure a decent yet modest standard of living.[iii]

Based on the Congressional Budget Office's forecast for inflation, a $15 minimum wage in 2020 is the equivalent of about $14.01 in today's dollars.[iv] That means that a two-parent, two-child family, with ***both parents working full-time all year*** at the proposed $15 minimum wage, will earn roughly $56,040 per year. The $15 minimum wage proposal will therefore be an important increase for low-wage workers, but it is far from an excessive increase—as it will not even meet the needs of a two-parent, two-child family to secure a decent yet modest standard of living in Montgomery County.

The second key measure by which economists typically judge the appropriateness of a wage floor is to compare the value of the minimum wage to the wage of the median full-time worker. The ratio of the minimum to median wage allows us to compare the current proposal to other minimum wage increases we have seen historically and in different regions of the country. The full-time median wage for workers in the Silver Spring-Frederick-Rockville metropolitan area was about $26.02 in 2016.[v]

Assuming modest real wage growth of about 0.5 percent annually, the ratio of the $15 minimum wage to the full-time median wage in this metro area in 2020 would therefore be about 51.6 percent. To put this in comparison, this value is slightly lower than the high point of the national minimum wage in 1968 of 52.1 percent. Therefore, the Montgomery

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County minimum wage proposal, while a bold and meaningful wage increase, is not more aggressive than what the US has already experienced.[vi]

How would this increase affect employment in the local economy?

The effect of increasing the minimum wage on employment is likely the most studied topic in labor economics and the consensus of the profession has shifted dramatically over the past several decades. Early studies of the federal minimum wage in the 1960s and 70s seemed to confirm the rudimentary supply-and-demand model of labor markets, which predicts that an increase in the minimum wage above a "market-clearing rate" will lead to a loss of employment. Up until the early 1990s, there was a consensus in the economics profession that increases in the minimum wage caused job loss.

But that consensus began to crack with a new round of research in the 1990s, with many new rigorous studies showing no employment losses and in some cases employment *gains* due to increases in the minimum wage.[vii] At the same time, other studies that still found negative employment effects were finding them to be much smaller than was previously thought. By the mid-2000s, the profession had no consensus on whether the effect of increases in the minimum wage on employment was positive or negative. However, there was a growing consensus that the effect, whether positive or negative, was *small.*

In the last few years, another round of research on the minimum wage—representing the best methodological practices we have—has been peer reviewed and published in top academic journals. These studies find that there has been essentially no effect of increases in the minimum wage on employment, neither positive nor negative.

This consensus among economists has become so strong that in 2014, 600 Ph.D. economists, including eight Nobel Prize winners, sent a letter to Congress encouraging them to raise the federal minimum wage.[viii] The letter stated, "In recent years there have been important developments in the academic literature on the effect of increases in the minimum wage on employment, with **the weight of evidence now showing that increases in the minimum wage have had little or no negative effect on the**

employment of minimum-wage workers, even during times of weakness in the labor market."

There is a more limited number of studies examining effects of city-level minimum wages, but those that do exist have also found little to no impact on employment. In 2004, the city of Santa Fe, New Mexico, enacted a city minimum wage that was 65 percent higher than the state minimum wage and implemented that increase all in one step. Researchers at the Bureau of Business and Economic Research at the University of New Mexico published an analysis of the effects of the minimum wage hike in 2006. They concluded that "the ordinance had no discernible impact on employment per firm and Santa Fe actually did better than Albuquerque [the closest neighboring city that did not raise its minimum wage] in terms of employment changes. Overall employment levels have been unaffected by the ordinance. In contrast to prevailing economic theory, the accommodations and food services sector did comparatively better [after the minimum wage increase]."[ix]

A 2011 study by researchers at the Center for Economic and Policy Research found that the Santa Fe minimum wage—as well as a similar minimum wage ordinance enacted in San Francisco at the same time— "raised the earnings of low-wage workers without a discernible impact on their employment. Moreover, the lack of an employment response held for three full years after the implementation of the measure."[x]

Even though the best evidence suggests little adverse consequences of minimum wage increases in terms of employment losses, it is important to remember that even if there are some employment reductions due to the minimum wage, low-wage workers can still have higher annual incomes. The low-wage labor market is characterized by high rates of churn and turnover, with workers constantly moving in and out of employment. As a result, any employment losses for low-wage workers are better thought of as reductions in hours worked over the year, with some individuals working one job after the wage increase instead of two or three. In either case, if these affected workers are earning significantly higher hourly wages due to the minimum wage increase, they may very well be better off in terms of annual income.

Furthermore, in January 2017, County Executive Isiah Leggett vetoed an ordinance passed by the county council that would have matched the minimum wage in the District of Columbia, raising the county minimum to $15 by 2020. Leggett then commissioned the consulting firm PFM to analyze the potential economic effects of raising the minimum wage in Montgomery County.[xi] As EPI discussed in a previous report on the PFM study, the study had significant flaws in its methodology that rendered its results completely unreliable.[xii] **The study essentially concludes that raising the minimum wage in Montgomery County—even a small amount—would be the most devastating economic shock the county has experienced in a generation, more damaging than the Great Recession.** Even the County Executive himself has raised concerns about PFM's results, and has encouraged the County Council to move forward with Bill 28-17 without regard to the PFM study.[xiii]

Concerns about proposed changes to the bill

EPI has concerns about the County Executive's proposed changes to the minimum wage bill. First, establishing a 90-day initial period when an employer may pay a new employee 85% of the minimum wage will negate the positive effects of raising the minimum wage for a significant number of Montgomery County workers. Lower wages based on tenure of employment is bad for low-wage workers, because these are generally high-turnover jobs—which could cause workers to consistently be caught in the lower training wage bracket, and could incentivize employers to push workers out after a few months.

Second, EPI does not support the County Executive's proposed longer timelines to reach $15 per hour. As discussed above, data from EPI's family budget calculator shows even a $15 minimum wage in 2020 would not fully secure a decent yet modest standard of living for a two-parent, two-child family in the Maryland suburbs of Washington, DC, even if both parents work all year, full-time at the minimum wage. Extending the timeline to reach $15 would further disadvantage these workers and their families.

Third, while the language in the County Executive's proposal is ambiguous, EPI would not support the proposal for creating an opportunity wage in Montgomery County that would carve young workers out of the minimum wage. EPI also has concerns about the exemption in the current bill for workers under age 19. Creating a blanket exemption to the minimum wage for workers under the age of 19 who work no more than 20 hours per week—as is currently written in the bill—would undermine key functions of the law and should be strongly reconsidered. There are 29 states, 31 cities, and 9 counties across the country that have established their own prevailing minimum wage and not one of them has a similar exemption—and for good reason. When the wage floor is universally applicable, it ensures that all workers are treated equally and that the law is not advantaging certain businesses over others. Any exemption is an opportunity for potential abuse. In this case, drawing a line at age 19 creates an incentive for employers to replace any worker who reaches their 19th birthday with someone younger.

If the goal of this exemption is to encourage employers to consider hiring young workers, there are far less problematic alternatives. For example, the federal minimum wage allows for employers to pay training wages (typically some percentage of the regular minimum wage) to young workers during their initial period of employment. Under federal and Maryland state law, employers may pay workers under the age of 18 a training wage of 85 percent of the regular minimum wage during their first 180 days of employment. This temporary reduction in the wage requirement allows businesses to hire a young worker and either train them or verify that they have the requisite skills for the job before being held to the full minimum wage requirements.

A training wage of this structure – some fixed percentage of the regular minimum wage for a limited duration – would be far optimal to establishing a complete exemption to the law based on arbitrary choice of age. There are undoubtedly workers in Montgomery County ages 18 and 19 who have siblings, children, or parents whom they support. If the goal of this law is to improve the welfare of Montgomery County's workforce, it would be counterproductive to exempt younger workers, who are often the most vulnerable and face the greatest need.

Finally, EPI urges the County to end its tipped minimum wage and eliminate the differential treatment of the tipped workforce—a step that nine states and one city have already taken. Research indicates that having a separate, lower minimum wage for tipped workers perpetuates racial and gender inequities, and results in worse economic outcomes for tipped workers. Forcing service workers to rely on tips for their wages creates tremendous instability in income flows, making it more difficult to budget or absorb financial shocks. Furthermore, research has also shown that the practice of tipping is

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often discriminatory, with white service workers receiving larger tips than black service workers for the same quality of service.[xiv]

Conclusion

Workers in Montgomery County, like those in many cities and counties across the country, are in desperate need of higher wages to meet rising costs of living. Raising the city's minimum wage to $15 by 2020 is a reasonable means and appropriate target for achieving that goal.

i See Wolfson, Paul J. and Belman, Dale (December 10, 2016). 15 Years of Research on U.S. Employment and the Minimum Wage. Tuck School of Business Working Paper No. 2705499.

ii Cooper, David. 2017, Raising the minimum wage to $15 by 2024 would lift wages for 41 million American workers.

iii Gould, Elise, Tanyell Cooke, and Will Kimball. 2015. "Family Budget Calculator." Economic Policy Institute. Figure in the text adjusted to today's dollars using CPI-U-RS.

iv Based on the Congressional Budget Office's forecast for the CPI-U. Congressional Budget Office. 2017. The Budget and Economic Outlook: 2017 to 2027.

v Bureau of Labor Statistics Occupational Employment and Wage Estimates for May 2016, adjusted upward by 10 percent to account for a 10 percent wage premium for full-time workers.

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[vi] Inflation assumptions from CBO June 2017 economic projections. 1968 minimum-to-median wage ratio from Cooper, David. 2017, Raising the minimum wage to $15 by 2024 would lift wages for 41 million American workers.

[vii] See Card, David and Alan Krueger. 1994. "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania." *The American Economic Review*. http://davidcard.berkeley.edu/papers/njmin-aer.pdf

[viii] Letter to President Obama, Speaker Boehner, Majority Leader Reid, Congressman Cantor, Senator McConnell, and Congresswoman Pelosi. January 14, 2014. http://www.epi.org/minimum-wage-statement/

[ix] Potter, Nicholas. 2006. Measuring the Employment Impacts of the Living Wage Ordinance in Santa Fe, New Mexico. University of New Mexico Bureau of Business and Economic Research.

[x] Schmitt, John, and David Rosnick. 2011. The Wage and Employment Impact of Minimum-Wage Laws in Three Cities. Center for Economic and Policy Research.

[xi] See Rachel Chason, Washington Post, Study: Montgomery would lose 47,000 jobs by 2022 if minimum wage went to $15 (August 1, 2017).

[xii] Cooper, David. 2017. "The Montgomery County minimum wage impact study is absurd junk science "*Working Economics Blog*. Economic Policy Institute.

[xiii] See Memorandum from County Executive Isiah Leggett to Roger Berliner, President Montgomery County City Council (September 13, 2017).

[xiv] See Lynn, M., M. Sturman, C. Ganley, E. Adams, M. Douglas, and J. McNeil. 2008. "Consumer Racial Discrimination in Tipping: A Replication and Extension." *Journal of Applied Social Psychology*, 38: 1045–1060.

NATIONAL EMPLOYMENT LAW PROJECT

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TESTIMONY

Testimony of Yannet Lathrop
National Employment Law Project

In Support of a $15 Minimum Wage, and Against a Youth or Training Wage in Montgomery County

Hearing before the Montgomery County Council, Maryland, with regard to Bill 28-17

September 26, 2017

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Members of the Montgomery County Council, thank you for the opportunity to testify today. And a special thanks to Councilmember Elrich for introducing Bill 28-17.

My name is Yannet Lathrop, and I am a researcher and policy analyst at the National Employment Law Project (NELP). NELP is a non-profit, non-partisan research and advocacy organization specializing in employment policy. We are based in New York with offices across the country, and we partner with federal, state, and local lawmakers on a wide range of workforce issues. Across the country, our staff are recognized as policy experts in subject areas such as unemployment insurance, wage and hour enforcement, and—as is relevant for today's hearing—the minimum wage. We have worked with dozens of city councils, state legislatures and the U.S. Congress on measures to boost pay for low-wage workers. We track both, the economic experience of state and local jurisdictions that have increased their wage floor, and the academic research on the minimum wage. As a result, we have developed a strong expertise on the analysis of minimum wage policy.

NELP testifies in support of a $15 minimum wage for Montgomery County, the gradually elimination of the tipped subminimum wage, and the indexing of both to inflation so that the value of the minimum wage does not diminish over time. Bill 28-17 would do the former and the latter, but unfortunately, it falls short of addressing the need to phase-out the tipped subminimum wage in the County.

A $15 minimum wage will help workers in Montgomery County—which has some of the highest costs of living in the country—meet their basic needs. And phasing-out of the unjust tipped subminimum wage would ensure that tipped workers receive the same One Fair Wage as all other workers. Eliminating the subminimum tipped wage is, in fact, a crucial part of any minimum wage increase that seeks to make a real significant difference for low-wage workers. Because the complex subminimum wage system is difficult to enforce, it can result in widespread noncompliance and wage theft. Moreover, workers who are forced to rely mainly on tips for income—rather than on a stable base wage paid directly by their employer—face wide fluctuations in earnings as tips vary from season to season, shift to shift, and customer to customer. As a result, these workers have significantly higher rates of poverty than the rest of the labor force.

NELP also testifies *against* the youth and training wages, proposed separately in Bill 28-17 and by County Executive Isiah Leggett. The youth wage would discriminate against workers under 20 years of age by allowing their employers to pay them only 85 percent of the regular minimum wage for six months—*a provision so harsh, that no other $15 minimum wage jurisdiction in the country has adopted.* And a training wage, as proposed by the County Executive, would discriminating against workers of any age for the first 90 days of employment—a time when low-wage workers tend to be most economically vulnerable.

NELP urges the County to reject these and any other proposals than would exempt or adopt a lower minimum wage for young workers or establish a training wage.

If Montgomery County approves a $15 minimum wage, it would join a growing number of local jurisdictions across the country that have enacted or are pushing for similar policies. Nearly two-dozen cities and counties—from Washington, D.C. to Minneapolis to Flagstaff, Arizona—have already approved $15 wage floors, and other local campaigns are underway. In addition, two of the nation's biggest states—California and New York—also approved statewide $15 minimum wage policies last year, while Oregon adopted a slightly lower $14.75 wage floor for most of the state. A growing number of other states are currently considering similar legislation.

The most rigorous modern research on the impact of higher minimum wages—including robust increases to $13 or more—shows that these polices boost worker earnings with little to no adverse impact on employment (including teen employment). The benefits for low-wage workers and their families have been significant, raising pay in the face of broader economic trends that have led to stagnant and falling wages across the bottom of our economy, reducing economic hardship, lifting workers out of poverty, and improving other life outcomes. The increased consumer spending triggered by higher wages can boost demand for goods and services, keep money circulating in the economy, and create a virtuous cycle that benefits workers, businesses and the County.

In the testimony that follows, I will summarize the evidence for these and other key points.

Overview: The National Movement to Raise the Minimum Wage; the Need for a $15 Minimum Wage in Montgomery County; and the Effects and Benefits of a Higher Wage Floor

A Growing Number of Jurisdictions Are Adopting $15 Minimum Wage Laws, Reflecting Continued Concerns with Low Wages and Popular Support for Bold Change

With job growth skewed towards low-paying occupations over the past decade, there has been growing national momentum for action to raise the minimum wage. Although the U.S. median household income is slowly climbing from the depths of the Great Recession,[1] hourly wages continue to stay flat or decline for most of the labor force.

The worsening prospects and opportunities for low-wage workers have prompted a record number of cities, counties, and states to enact higher minimum wage rates for their residents, often with overwhelming support from voters. Polling data shows that approximately two out of three individuals support a $15 minimum wage, and support among low-wage workers is even higher.[2] A poll of low-wage workers commissioned by NELP found that approximately 75 percent of low-wage workers support a $15 minimum wage and a union.[3]

Since November 2012, an estimated 19 million workers throughout the country have earned wage increases through a combination of states and cities raising their minimum wages; executive orders by city, state and federal leaders; and individual companies raising their pay scales.[4] Of those workers, **nearly 10 million will receive gradual raises to $15 per hour.**[5]

A growing number of states and localities have adopted, and are currently phasing in, $15 minimum wage laws. Since 2012, nearly two-dozen cities and counties from Washington, D.C. to Minneapolis to Flagstaff, Arizona have approved $15 minimum wage legislation,[6] and two of the nation's biggest states—California and New York—also approved statewide $15 minimum wage policies last year, while Oregon adopted a slightly lower wage floor of $14.75 for the majority of the state.[7] In addition, other local and state jurisdictions are currently or will soon be considering similar $15 minimum wage legislation

The trend in localities and states pushing for higher minimum wage rates is likely to continue as wages decline, inequality worsens or remains high, and the federal government fails to take bold action to ensure that hard-working individuals can make ends meet.

Montgomery County Is Becoming Unaffordable for Most Low-Wage Workers and Their Families; They Need a $15 Minimum Wage Today Just to Make Ends Meet

Facing some of the highest costs of living in the nation, low-wage workers in Montgomery County already need to earn far more than $15 per hour just to afford the basics. By 2024, they will need much more.

Along with jurisdictions such as New York City and San Francisco, the Washington D.C. metropolitan region, which includes Montgomery County, has some of the most expensive and fastest rising housing in the nation,[8] which can quickly drain the budgets of low-income families. Housing costs in the region are enough of a concern, that Montgomery County and the City of Rockville have issued reports highlighting the worrying trend of increasing housing unaffordability, decreasing real incomes, and the low supplies of affordable housing.[9]

Not surprisingly, analysis of housing and other living expenses in the area shows that monthly rent in Montgomery County exceeds the current County wage floor. Rent for a modest studio, for example, can cost upwards of $1,440, which means that County residents need to earn $27.69 per hour—more than $12 above the target minimum wage rate of $15—just to afford rent and other basics.[10] Parents of young children, and other workers needing at least a one-bedroom apartment, face $1,513 monthly rents, which require hourly earnings of $29.10.[11]

Alternative—and more modest—estimates confirm the high costs of living in Montgomery County and the need for the County Council to adopt a minimum wage of *at least* $15 hourly in as short a schedule as possible. As Table 1 shows below, **single workers without family responsibilities already need to earn an hourly rate of more than $21 per hour to make ends meet.** Parents caring for at least one child often need significantly more. Assuming modest inflation, by 2024, some of these workers will need to earn nearly $20 above the target rate of $15.

Table 1. Montgomery County workers need $15 *Today*; by 2024, they will need much more

	Family Size	2017 (Inflation Adj.)	2020 (Estimated)	2022 (Estimated)	2024 (Estimated)
Maryland Suburbs of Washington, D.C.	Single Adult	$21.13	$22.43	$23.33	$24.28
	1 Adult 1 Child	$32.86	$34.87	$36.28	$37.75
	2 Adults 2 Children*	$20.24	$21.48	$22.34	$23.25

* Hourly wage per adult worker.
NELP analysis of Economic Policy Institute's ***Family Budget Calculator***, http://www.epi.org/resources/budget/. Assumes a modest 2 percent inflation and no median wage growth. Inflation adjustment to January 2017 with Bureau of Labor Statistics' ***Inflation Calculator***, https://data.bls.gov/cgi-bin/cpicalc.pl.

Higher Earnings from Minimum Wage Increases Can Have Significant Benefits for Low-Income Individuals and Their Families

By raising pay broadly across the bottom of the economy, substantial minimum wage increases can have very direct and tangible impacts on the lives of affected workers and their families, and can be **an effective strategy for addressing declining wages and opportunities for low-wage workers.**

For example, analysis of San Francisco's minimum wage policy—which, over the past decade, has remained significantly above the California and federal rates—shows that the City's minimum wage boosted pay by more than $1.2 billion for more than 55,000 workers, and permanently raised citywide pay rates for the bottom 10 percent of its labor force.[12] (San Francisco voters first approved an $8.50 minimum wage in 2003,[13] at the time one of the highest in the nation. The widely recognized success of this measure led Mayor Ed Lee to broker an agreement with business and labor to place a new increase—this time to $15—on the November 2014 ballot, which voters overwhelmingly approved).[14]

The higher incomes resulting from a minimum wage increase can also translate to a **range of other important improvements** in the lives of struggling low-paid workers and their households. For workers with the lowest earnings, studies show that **the additional pay can increase their net incomes and lift them and their families out of poverty.**[15] Similarly, higher incomes for low-wage workers and their households translate to improved educational attainment and health outcomes. For example, a study by the National Institutes of Health determined that for children in low-income households, "[a]n additional $4000 per year for the poorest households **increases educational attainment** by one year at age 21."[16] Another study found that raising

California's minimum wage to $13 per hour by 2017 "would **significantly benefit [the] health and well-being**" of Californians, and that they "would experience fewer chronic diseases and disabilities; less hunger, smoking and obesity; and lower rates of depression and bipolar illness. In the long run, raising the minimum wage would prevent the premature deaths of hundreds of lower-income Californians each year."[17] And a study by University of Massachusetts researchers found that high dropout rates among low-income children can be linked to parents' low-wage jobs and that youth in low-income families have a greater likelihood of experiencing health problems.[18]

Decades of Rigorous Research Shows That Raising the Minimum Wage Boosts Workers' Incomes Without Adverse Employment Effects

The most rigorous minimum wage research over the past two decades, which examine scores of state and local increases across the U.S., demonstrates that these measures have raised workers' incomes without reducing employment. The substantial weight of the scholarly evidence reflects a significant shift in the views of the economics profession, away from the simplistic view that higher minimum wages cost jobs. As *Bloomberg News* summarized in 2012:

> *[A] wave of new economic research is disproving those arguments about job losses and youth employment. Previous studies tended not to control for regional economic trends that were already affecting employment levels, such as a manufacturing-dependent state that was shedding jobs. The new research looks at micro-level employment patterns for a more accurate employment picture. The studies find minimum-wage increases even provide an economic boost, albeit a small one, as strapped workers immediately spend their raises.*[19]

One of the most sophisticated studies coming out of this new wave of minimum wage research, "Minimum Wage Effects Across State Borders," was published in 2010 by a team of economists from the universities of California, Massachusetts, and North Carolina in the prestigious *Review of Economics and Statistics*.[20] That study carefully analyzed minimum wage impacts across state borders by comparing employment patterns in more than 250 pairs of neighboring counties in the U.S. that had different minimum wage rates between 1990 and 2006.[21] Consistent with a long line of similar research, the study found no difference in job growth rates in the 250 pairs of neighboring counties—such as Washington State's Spokane County compared with Idaho's Kootenai County where the minimum wage was substantially lower—and found no evidence that higher minimum wages harmed states' competitiveness by pushing businesses across the state line.[22]

The study's innovative approach of comparing neighboring counties on either side of a state line is generally recognized as especially effective at isolating the true impact of minimum wage differences, since neighboring counties otherwise tend to have very similar economic conditions. The study was lauded as state-of-the-art by the nation's top labor economists, such as Lawrence Katz of Harvard University, and David Autor and Michael Greenstone from the Massachusetts Institute of Technology.[23] (By contrast, studies often cited by minimum wage opponents, which compare one state to another—and especially those comparing states in different regions of the U.S.—cannot as effectively isolate the impact of the minimum wage, because different states face different economic conditions, of which varying minimum wage rates is but one.)

However, it is not simply individual studies, but the whole body of the most rigorous modern research on the minimum wage that now indicates that higher minimum wages have had little impact on employment levels. This is most clearly demonstrated by several recent "meta-studies" surveying research in the field. For example, a meta-study of 64 individual studies on the impact of minimum wage increases, published in the *British Journal of Industrial Relations* in 2009 by economists Hristos Doucouliagos and T. D. Stanley, shows that the bulk of the studies find close to no impact on employment.[24]

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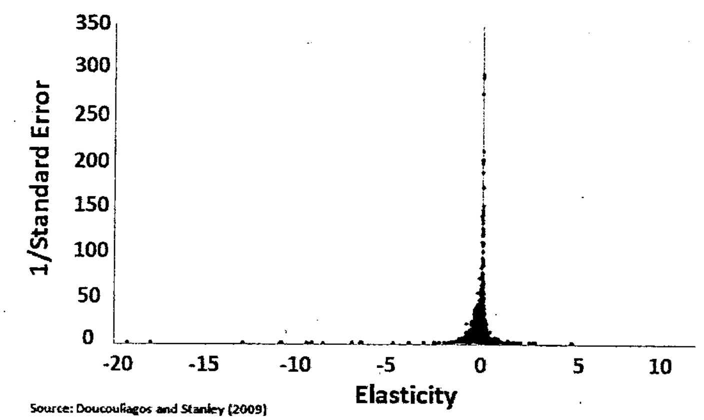
This is vividly illustrated in Figure 1, below, which arrays the 1,492 different findings from 64 different studies, mapping their conclusions on employment impacts against the statistical precision of the findings. As economist Jared Bernstein summarizes, "the strong clumping around zero [impact on jobs] provides a useful summary of decades of research on this question [of whether minimum wage increases cost jobs]."[25]

Figure 1. Research overwhelmingly finds that minimum wage increases have little to no effects on employment[26]



Source: Doucouliagos and Stanley (2009)

Drawing on the methodological insights of Doucouliagos and Stanley, a more recent meta-study by Dale Belman and Paul Wolfson reviews more than 70 studies and 439 distinct estimates to come to a very similar conclusion: "[I]t appears that if negative effects on employment are present, they are too small to be statistically detectable. Such effects would be too modest to have meaningful consequences in the dynamically changing labor markets of the United States."[27]

Similarly, in an analysis released near the end of the Obama Administration by the White House Council of Economic Advisors, economists examined all U.S. minimum wage increases since the Great Recession. Like the lion's share of recent rigorous research on the minimum wage, they found that the post-recession increases delivered significant raises to low-wage workers with little negative effect on job growth.[28]

Mounting Evidence from Cities That Were Early Adopters of High Minimum Wages Shows Little Adverse Effects on Jobs and Manageable Implementation for Employers

Beginning with SeaTac, Washington in 2012—joined later by Seattle, San Francisco, Minneapolis and dozens of other local jurisdictions—U.S. cities have been at the forefront of the movement to raise minimum wages to significant levels up to $15, forging a path for states to do the same. Academic studies and the media are beginning to report on the experience of these cities, documenting the effects these policies are having on local economies. To date, both research and business press reports suggest these measures are boosting pay with little negative impact on employment.

Seattle. This past June, the team of University of California economists released a study that explored the impact of Seattle's higher minimum wage, which this year hit the $15 mark for large employers. The study focused on the restaurant industry—the largest low-paying sector where any negative effects on jobs would first appear. The study found that Seattle's minimum wage, which ranged from $10.50 to $13 during the period analyzed, had raised pay for workers without any evidence of a negative impact on jobs.[29] Another muchpublicized Seattle study reached a conflicting conclusion, suggesting that the increase had cost jobs.[30] But the conflicting study has come under fire for its serious methodological errors, which cast doubt on its findings.[31] These problems include the fact that the study excluded 40 percent of the workforce from its analysis, and failed to control for Seattle's booming economy, which was naturally reducing the number of low-paying jobs as employers raised pay independent of the minimum wage to compete for scarce workers.[32]

Business press reports on Seattle's economy and job market confirm that it is continuing to thrive as the $15 minimum wage phases in. Today, Seattle has an unemployment rate of just 3.5 percent, one of the lowest on record for the area and lower than the Washington State and U.S unemployment rates.[33] As *Forbes* reported recently, "Higher Seattle Minimum Wage Hasn't Hurt Restaurant Jobs Growth After a Year."[34] Earlier reporting in the *Puget Sound Business Journal* was titled "Apocalypse Not: $15 and the Cuts that Never Came."[35]

San Francisco. After SeaTac and Seattle, San Francisco was one of the first U.S. cities to adopt a higher minimum wage in 2003. Four years later, a study published in Cornell University's *Industrial and Labor Relations Review* found that the city had raised pay without costing jobs.[36] Today, the city's minimum wage is $14 and will rise to $15 next year. While an updated study of the impact of the city's higher wage floor is expected in the coming months, all indicators suggest that it is going smoothly. The city's unemployment rate dropped to 3.9 percent in July of this year[37] from 5.7 percent in July 2014[38]—the year in which the city adopted its $15 minimum wage—and its restaurant sector sales grew from 5.4 percent to 6.6 percent from 2014 to 2015, a faster pace than comparable cities like New York.[39]

San Jose. In 2012, voters in San Jose approved a $10 minimum wage by high margins, despite predictions of gloom and doom by opponents.[40] Four years later, the City Council, acknowledging the need for more robust wages, unanimously voted to adopt a $15 minimum wage.[41] In 2016, University of California researchers released a study of the city's $10 minimum wage policy. The authors found that the $10 minimum wage had raised pay without costing jobs,[42] which confirmed earlier observations reported by the media. As *The Wall Street Journal* reported a year after full implementation of the new minimum wage and two years before the study was released, "[f]ast-food hiring in the [San Jose] region accelerated once the higher wage was in place. By early [2014], the pace of employment gains in the San Jose area beat the improvement in the entire state of California."[43]

These positive experiences are some of the reasons that—despite what opponents claim—most business owners and executives are actually comfortable with higher minimum wages. According to polling conducted by LuntzGlobal—an opinion research firm headed by leading Republican pollster Frank Luntz—on behalf of the Council of State Chambers, 80 percent of CEOs, business owners and executives at companies of all sizes support raising the minimum wage in their states, while only 8 percent oppose it.[44] Similarly, among small business owners, 59 percent favor raising the minimum wage, according to a recent poll by Manta.com.[45]

The Case Against a Youth Wage in Montgomery County

The Montgomery County Council Should Reject Any Proposal That Would Create an Unfair and Harmful Sub-Minimum Wage for Young Workers

Lobbyists for low-wage industries sometimes argue that a lower minimum wage for teens or other young workers is necessary to encourage employers to hire teens despite their limited work experience, and to cushion the impact of a higher minimum wage on employers. However, as the next sections explain in more detail, a review of the economic evidence shows that none of these rationales hold up under closer scrutiny, and that adopting a sub-minimum tipped wage would be harmful:

- Rigorous research on the impact of the minimum wage on teens—which compares teen employment levels across regions and states with differing wages floors—shows that a higher minimum wage does not cause employers to hire fewer teens.
- A lower minimum wage for young workers creates a loophole that mainly benefits fast food and retail chains with high-turnover staffing models, and incentivizes more employers to shift to this model and to favor hiring young adult workers over older adults—with harmful consequences for both.
- Close to half of 18 and 19 year olds are college students enrolled in two or four-year programs. The overwhelming majority of them (70 percent) work as they struggle with high tuition costs and the prospect of crushing student debt upon graduation.
- In order to avoid going deep into debt to pay tuition and living costs, the overwhelming majority of Maryland and Montgomery County college students who work 20 hours per week and pay the in-state tuition rate, need to earn more than $16 an hour today to avoid debt. By 2024, they will need much more.

The Montgomery County Council should reject any proposal than would exempt or institute a lower minimum wage for young workers of any age. Neither the District of Columbia, nor any of the other local or state jurisdictions that have adopted a $15 minimum wage, have also adopted broad sub-minimum wages for young workers. And in Capitol Hill, *all U.S. Senate and House Democrats representing the State of Maryland* have co-sponsored the federal Raise the Wage Act, S.1242/H.R.15,[46] which calls for a $15 minimum wage and the phasing-out of the sub-minimum wage currently allowed for teen workers under the Fair Labor Standards Act.

A Lower Minimum Wage for Young Workers Would Be Harmful, Unnecessary, and Offer Few Benefits to Most Employers in Montgomery County

Exempting young workers from a $15 minimum wage in Montgomery County, or adopting a lower minimum wage for them offers few benefits for employers, since **the vast majority (90 percent) of Maryland workers who would be boosted by the higher wage floor are adults 20 or older.**[47]

Nonetheless, a youth wage threatens real harm, as it could incentivize an increasing number of employers to hire young workers in place of adults, and to adopt a high-turnover staffing model to maintain a young workforce. The harm from this policy would befall both young workers—who would be expected to work just as hard as older workers, but for a fraction of what others earn—and older workers, who could face discrimination by certain employers in favor of younger workers.

The Main Beneficiaries of a Lower Youth Wage Are Profitable Fast-Food and Retail Chains with High-Turnover Staffing Models

A sub-minimum wage for young workers in Montgomery County would **create a loophole** that would mainly benefit unscrupulous high-turnover businesses, and would encourage other employers to pursue that same harmful business model at the expense of good, stable jobs for workers of any age.

The businesses that utilize a high-turnover staffing model tend to be fast-food and retail chains, which often pay some of the lowest wages while posting high profits.[48] According to some estimates, the rate of turnover for these businesses can be as high as 200 percent on an annual basis.[49] This is the equivalent of replacing their entire staff once every six months.

A youth wage would not only benefit large fast food and retail chains at the expense of workers, but it **would also be unfair to small businesses and to conscientious employers** who already struggle to compete with big businesses while treating their employees (of any age) fairly.[50]

Students Working Their Way Through College Need to Earn at Least $15 as They Struggle with Rising Tuition and Debt. A Lower Wage Would Force Them to Work Longer Hours, Increasing Their Drop Out Rates

Analysis of national data shows that approximately half of all 18- and 19-year olds are enrolled in two- or four-year college or university programs.[51] The overwhelming majority of them (70 percent) work[52] as they struggle with rising tuition and costs of living and the prospect a future mired by student loan debt.[53] In **Maryland**, fast-rising tuition, shrinking grants and scholarships, and a stagnant wage floor have forced many college students to borrow. Today, these students are carrying some of the highest debt burdens in the nation.[54]

Research also shows that many working college students in Maryland and the U.S. struggle with poverty. A worrying **two-thirds of the country's community college students are food insecure**, and **50 percent are housing insecure**,[55] both of which can significantly affect their health, wellbeing and ability to graduate.

In an attempt to avoid crushing student loan debt, and in order to afford food, housing and other basic needs, many students work long hours.[56] But studies of the relationship of work and graduation rates show that **working more than 20 hour per week puts college students at risk of dropping out**,[57] which not only limits their economic futures but also leaves them saddled with student debt.

Although not a panacea, a minimum wage of at least $15 per hour would enable many working students to limit their work hours to 20 hours per week, helping them to graduate faster and with less student debt. Analysis of tuition costs shows that **in 2015, the typical college student in Maryland, who worked 20 hours per week, needed to earn $16 an hour to pay his or her way through college**—assuming enrollment in a public institution at the in-state tuition.[58] And with tuition costs increasing faster than inflation, working college students will need to earn even more in the future.[59]

Now more than ever, college students in Montgomery County and throughout Maryland and the country need a $15 minimum wage. Proposals by the Trump Administration would exacerbate high student debt by slash or eliminate funding for key financial aid programs for low-income students, including Perkins loans, work-study, Direct Subsidized Loans and the Public Service Loan Forgiveness program.[60]

Economic Research On the Effects of a Higher Minimum Wage Shows That Raising the Wage Floor Does Not Lead to the Loss of Jobs for Young Workers

A recent study by University of California economists analyzed over three decades (1979 to 2014) of teen and restaurant employment data, comparing states with high average minimum wages and those with low average minimum wages (typically, equal to the federal minimum wage). The data did not show disemployment effects among restaurant workers—who comprise a large share of low-wage workers affected by a minimum wage policy—and the effect on teen employment was only a fraction of the already negligible impact claimed by minimum wage opponents.[61]

Previously, in 2011, this same team of economists had analyzed the impact of the minimum wage on teen employment in a peer reviewed study, "Do Minimum Wages Really Reduce Teen Employment?"[62] The study carefully examined the impact of all U.S. minimum wage increases between 1990 and 2009—including those implemented during the recessions of 1990-1991, 2001 and 2007-2009—and found that the even during downturns in the business cycle, and in regions with high unemployment, the impact of minimum wage increases on teen employment was negligible.[63]

The Case for Eliminating Montgomery County's Tipped Sub-Minimum Wage

Eliminating the Sub-Minimum Wage for Tipped Workers Is Crucial to Making a Real Difference in the Lives of Low-Wage Workers

The gradual elimination of the sub-minimum wage for tipped workers is crucial to improving the lives and economic prospects of low-wage workers in Montgomery County. Without it, a significant share of the County's lowest-paid workers will become increasingly vulnerable to poverty. As inflation erodes the real value of the tipped wage, tipped workers will become progressively more dependent on the generosity of customers to earn their livelihoods and avoid poverty.

A sub-minimum wage for tipped workers has not always existed. Until 1966, there was no federal subminimum wage for tipped workers.[64] But with the 1966 expansion of the Fair Labor Standards Act (FLSA) to cover hotel, motel, restaurant, and other leisure and hospitality employees who had previously been excluded by the FLSA, the law was amended to allow employers to pay tipped workers a sub-minimum wage of 50 percent of the full minimum wage.[65] In 1996, tipped worker's pay decreased further when a Republican-controlled Congress raised the federal minimum wage from $4.25 to $5.15, but froze the tipped minimum wage at $2.13. This policy decoupled the tipped wage from the full minimum wage for the first time in the history of U.S. wage law, setting up over two decades of a frozen minimum wage for tipped workers[66] in most of the nation.

Adopting a gradual elimination of the tipped sub-minimum wage, it would make Montgomery County a "One Fair Wage" pioneer among other local and state jurisdictions across the country. Currently, seven states—Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington—and one city (Flagstaff, Arizona) are One Fair Wage jurisdictions which do not allow employers to pay their tipped staff a lower wage.[67] Tipped workers in these One Fair Wage jurisdictions receive the full minimum wage directly from their employers, and their tips function as gratuities should: As supplemental income over and above their wages, in recognition of good service. Although not technically a One Fair Wage state, Hawaii also abolished the sub-minimum wage for most tipped workers, preserving a very limited tip credit of just 75 cents for tipped workers who average at least $7.00 an hour in gratuities.[68]

Federally, more than 160 members of Congress and 32 U.S. Senators—including Senators Ben Cardin and Chris Van Hollen, and most of Maryland's congressional delegation—have co-sponsored the Raise the Wage Act, S.1242/H.R.15, which would gradually phase out the tipped sub-minimum wage nationwide.[69]

Although minimum wage opponents in the restaurant industry often claim that most tipped workers earn high incomes and do not need a raise, Bureau of Labor Statistics (BLS) data shows that **the typical tipped worker in Montgomery County earns just a few dollars above the County minimum wage**. According to the most recent BLS data, between November 2013 and May 2016, the median wage for restaurant servers in Montgomery County was $9.52 per hour *including tips*, and the average was $11.81 per hour, also including tips.[70] During the period covered by the BLS data, the applicable minimum wage in Montgomery County was between $7.25 and $8.25 per hour,[71] meaning that servers in the County earned between $1.27 and $4.56 above the wage floor—hardly the type of high incomes that the restaurant industry claims to be typical.

In addition to restaurant serves, other tipped jobs include car wash workers, nail salon workers, and pizza delivery drivers—notorious sweatshop occupations where pay is often even lower than in the restaurant industry.[72]

Tipped work is inherently uneven and often unpredictable. While most of us expect to be paid the same for every day or hour we work, for tipped workers this is often not the case. For example, restaurant servers can

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earn substantially more on Friday or Saturday nights, but much less on other days of the week. Bad weather, a sluggish economy, the changing of the seasons, a less generous customer, and a host of other factors can also cause sudden drops in their tipped income and lead to economic insecurity. Not surprisingly, **tipped workers face poverty at twice the rate of non-tipped workers**, with waiters and bartenders at even higher risk of poverty.[73]

Tipped workers in Montgomery County and across the country are also significantly more likely to rely on public assistance to make ends meet. Close to half (46 percent) of tipped workers and their families rely on public benefits compared with 36 percent of non-tipped workers.[74] Ultimately, shifting the responsibility to pay workers' wages to customers under the tipped sub-minimum wage system allows employers in a few select industries to benefit from a customer-funded subsidy at the expense of workers' economic security.

The Complex Sub-Minimum Wage System for Tipped Workers Is Difficult to Enforce and Results in Widespread Noncompliance

The sub-minimum tipped wage system is complex, difficult to implement and plagued by noncompliance. For example, both employers and employees find it difficult to track tip earnings, a task that is often complicated by tip sharing arrangements amongst workers. In addition, when tipped workers' earnings fall short of the full minimum wage, many will forego asking their employers to make up the difference—as employers are legally required to do—for fear that the employer may retaliate by giving more favorable shifts to workers who do not make such demands.[75]

Given the implementation challenges inherent in the subminimum wage system, it is not surprising that a 2014 report by the Obama Administration's National Economic Council and the U.S. Department of Labor found that one of the most prevalent violations amongst employers is failing to properly track employees' tips and make up the difference between an employee's base pay and the full minimum wage when tips fail to fill that gap.[76] A survey found that more than 1 in 10 workers employed in predominantly tipped occupations earned hourly wages below the full federal minimum wage, including tips.[77]

The Maryland Restaurant Industry is Strong, and Montgomery County Can Afford to Adopt a $15 Minimum Wage without a Tip Credit

While restaurant industry lobbyists often argue that eliminating the tipped sub-minimum wage would hurt restaurants and its workers, the facts belie those claims. In particular, the restaurant industry in One Fair Wage states is strong and projected to grow faster than in many of the states that have retained a sub-minimum tipped wage system.

According to projections by the National Restaurant Association (NRA), **restaurant sales are expected to reach $799 billion this year, a 4.3 percent increase over 2016.**[78] In Maryland, restaurant sales are expected to reach $12.1 billion this year, and grow by a healthy 9.0 percent over the next ten years.[79]

Many of the states with the strongest restaurant job growth do not allow a tipped minimum wage for tipped workers, and require employers to pay tipped workers some of the country's highest base wages. For example, restaurant employment in California—which has no subminimum wage for tipped workers and is phasing in a $15 minimum wage—is projected to grow by 10.6 percent during the 2017–2027 period.[80] In California, the minimum wage is now $10 per hour for small employers (25 or fewer employees) and $10.50 for large employers (26 or more employees), and the minimum wage will reach $15 for all employers by 2023.[81] In Oregon, where the minimum wage is currently between $10 and $11.25 and will increase to between $12.50 and $14.75 by 2022,[82] and which has no tipped sub-minimum wage, restaurant employment is projected to grow by 13.2 percent during that same period.[83] And in Washington State, where the minimum wage is $11.00[84] and will increase to $13.50 by 2020,[85] restaurant employment growth during the same period is expected to grow by 11.8 percent.[86] According to the NRA's own projections, restaurant employment in the seven states without a tipped minimum wage will grow in the next decade at an average rate of 10.7 percent.[87]

Moreover, a 2015 Cornell Hospitality Report looked at the impact of minimum wage increases on restaurant employment and business growth levels over twenty years across the United States. It found that raising the minimum wage (including the tipped wage) will raise restaurant industry wages but will not lead to "large or reliable effects on full-service and limited-service restaurant employment."[88]

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Thank you for the opportunity to testify today. I would be happy to answer questions or provide additional information.

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Hello Ladies and gentleman,

My name is Diamante Rodriguez and I am 21 and a recent graduate of the Montgomery County Conservation Corps at the Latin American Youth Center. I came here today to discuss the problem I have with the current minimum wage of $11.50. I have spoken to other youth at the youth center and we have come to the conclusion that $11.50 is not enough for a single person on their own let alone someone with a child. There are too many costs to living that cause people to spiral into poverty. I have personally experienced being on my own with the current minimum wage and felt it was impossible to make it. My goals of educating myself and increasing my skills sets are held back because I cannot maintain stable housing and day to day living expenses.

Some of my friends and former colleagues were able to come today and many couldn't because they working or in school. All of them however had an opinion on this issue because it struck a chord with them. There is discrimination based on skin color, on name types and yes even on age. Though I am an adult I am young and so am treated differently by older adults. I have certifications and training in my field and find that my age and biases about my race hold me back. Some of my peers talked about how raising the minimum wage could be bad for young people because adults that are older than us and sometimes more qualified may compete with us. We think there should some specific rules for jobs for young people and some additional programs to help us progress. We saw some of these ideas were already some out there and wanted to be clear about what we wanted.

We think the minimum wage should not apply to employees under 18 working less than 20 hours as the majority of these employees will be in high school. Once they are 18 some will consider enrolling in college at a place like Montgomery College. MC is cheap but still requires a part time job at least to maintain money to live. Those folks that are 18 should be able to make $15 an hour.

For young people 18 and younger working more than 20 hours we liked the idea of an opportunity wage at 85% of the minimum wage for a 3 month probationary period. This will allow employers to get to know us and help us deal with barriers of discrimination against young people and primarily young black and brown people. We think this should be for folks under 18 since some may be right out of high school and needing to support their families immediately. That said this will not solve the issue of young people having less credentials. We urge the council to create more opportunities for youth to get their education in outside of traditional schools so that we can get young people into trades and careers through internships and apprenticeships. This is what I have received through my time at Maryland Multicultural Youth Centers and I hope others can get the same opportunity.

Thanks,

Diamante

Boozhoo. My name is Jared Hautamaki and I am here to testify in support of the minimum wage increase legislation. I live in the Wheaton Hills and I am an attorney at the Environmental Protection Agency, licensed in Arizona and Michigan.

You might ask yourself why would a federal attorney be testifying for a minimum wage increase... I currently work four jobs. I work two part-time jobs in Michigan. I serve as a Reserve Appellate Judge for my tribe on an as-needed basis and in January I started a small tree farm to manage 40 acres of forested family property. My wife, who holds an MBA, and I have four children under the age of seven. Given the cost of day care and the lack of universal pre-k it is more affordable for her to stay at home with the kids than to work. I applaud the Council members who have pushed for expanded Pre-K service for all county residents, universal Pre-K is sorely needed and long overdue.

Over the last seven years, federal employees have seen their base wage increase by only 4%. President Trump has proposed only a 1.4% raise for federal civilian employees for FY18.[1] Over that same seven-year time frame inflation based on CPI has increased by an average of 1.6% per year for a total of 13.5%, a discrepancy in purchasing power of almost 10%.[2] In August, the Washington Post reported that the average increase in health insurance premiums for federal employees over the last few years has been 7%. Pepco is recently seeking a 5.5% rate increase. And as you are aware, last year this Council increased (but did not implement) property taxes by nearly 9%. Federal wages, even for professionals, are no longer enough to support single income families in the region.

I started working weekends and federal holidays at Home Depot here in Montgomery County in 2014. In spite of being one of the region's top sales specialists, selling more than $160,000 in custom doors and windows annually (44% over corporate sales goals) while working only two days a week and receiving outstanding performance reviews the last two years my last raise was only .36 cents, raising my hourly wage to $12.51 an hour. That increase was at the top end of the spectrum for Home Depot associates nationwide. On September 17, I received another "Outstanding" review and can expect another .36 raise in late October which equates to an extra $230 a year. A minimum wage increase to $15 an hour would immediately increase my pay by $1500 a year.

While I am fortunate to only rely on Home Depot as a secondary income most of my Home Depot coworkers do not have that luxury. Working families of all stripes are struggling in an economy where wages have been stagnant for years while large corporation are hoarding cash and rewarding shareholders but not those workers creating that capital. Congress is unwilling to act so it is up to

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[1] According to https://www.federalpay.org/gs/raises the last seven years of GS base wages increases were FY17 – 1%, FY16 – 1%, FY15 – 1%, FY14 – 1%, FY 13 – 0%, FY12 – 0%, FY11 – 0%, FY10 – 0%.

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localities to take the lead. I implore you to pass this legislation with as short a duration for implementation as possible.

I would like to raise three additional related issues that I would encourage you to address.

First, how will you ensure that this legislation benefits Montgomery County residents? I have coworkers from PG county, DC and even one commuting from Pennsylvania.

Second, I would ask you to address Home Depot and other retailers practice of annually "buying out" accumulated sick leave and forfeiting annual leave under a use or lose system. Both of these practices unduly burden Maryland working families and undermine job security.

Finally, the Maryland Student Loan Debt Relief Tax Credit does not help individuals like my wife and myself, whose student loans were largely accumulated in graduate school. Please consider this gap when you consider Councilman Hucker's student loan agency proposal.

Thank you,

Jared Hautamaki

Carlos Alvarado's Testimony for Council Public Hearing on Minimum Wage

Tuesday, Sept. 26 at 7:30 p.m.

Good evening Council President Berliner and Councilmembers.

My name is Carlos Alvarado, and I live in Rockville, off of Viers Mill and Aspen Hill Road. I support Bill 28-17, the minimum wage increase legislation. From my point of view a higher minimum wage balances out the cost of living in the county. Rent, food, and transportation costs have increased for me and my family but my wage has not been able to keep up. This region is one of the most expensive in the country.

I work in landscaping making $11, I work to make our county look great. My wife works at a McDonald and also makes the current minimum wage. Together the costs to send out kids to school and make our monthly payments makes it impossible to save and invest back in the county.

As a worker, I ask you to support bill 28-17 and increase the wage to $15.

Thank you for your time.

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Testimony of Jose Ventura
County Minimum Wage Bill
September 26, 2017

Good Evening. My name is José Ventura and I'm a member of 32BJ SEIU. I live in Silver Spring and I clean offices in Friendship Heights.

First I'd like to thank Montgomery County Council Members who are standing up for low-wage workers like me by pushing for a $15 minimum wage.

Before I joined a union, I was earning $10 an hour. I could not get a raise, no matter how hard I worked and no matter how many times I asked.

Life was very hard. I have a daughter and couldn't afford to buy her new clothes in time for the new school year and I couldn't afford to buy her gifts for Christmas or her birthday.

It was even hard just to keep a roof over our heads. The union and politicians are the only way to get a raise.

With the union, I earn $15 now, so I can have some stability and I'm not living paycheck to paycheck. I'm able to better care for my daughter and I even save a little for her. But it's still very hard.

$15 is just $31,000 per year for someone working 40 hours per week. But it would provide a critical lifeline for working families who are drowning in bills and debt.

Too many in my community are not just working hard – but working two and three jobs – and still can't provide for our families. Think about single mothers who must rely on food stamps to feed their families.

$15-an-hour would help them become financially independent and no longer needing to rely on social welfare programs. They could instead use that money to support their families and local businesses.

Everything is getting more expensive every year - food, transportation, clothing and rent – but people's wages aren't going up. Why do we need to keep waiting – the bill collectors don't wait.

Working families are counting on County leaders to pass and sign $15 into law right now, not later. If we can't rely on our own local leaders in Montgomery County – then who can we rely on?

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Montgomery County InterACC/DD

(Jubilee Assn.) 10408 Montgomery Avenue, Kensington, Md. 20895
Voice 301-949-8628 x 105
Co-Chair: Tim Wiens (twiens@Jubileemd.org)

Testimony
Montgomery County Council
September 26, 2017
Bill 28-17, Human Rights and Civil Liberties- County Minimum Wage – Amount – Annual Adjustment

My name is Tim Wiens, and I currently serve as Co-Chair of InterACC/DD, a coalition of about 30 agencies serving adults who have intellectual and other developmental disabilities in Montgomery County. We employ over 4,000 Direct Support Professionals (DSP). We support Bill 28-17 with a proposed amendment which would include specific language that DSPs will, on average, be paid 125% above the County minimum wage.

We share the goal of this legislation to increase the wages of low income workers. It is an issue of economic justice for our employees. Our employees should not be considered minimum wage employees. Our direct service employees are earning an estimated average of $14.26 an hour in FY18 based on the increase in the DD Supplement you provided for the current fiscal year. What we are proposing is a continuation of what the County has done for us under the current County minimum wage law.

As State Medicaid-funded agencies, we do not have the ability to reduce our services, nor do we have the ability to charge additional fees for our services. The State is not compelled to provide additional funding for additional County requirements. Without your financial support we cannot meet the obligations of the proposed law.

Under current conditions we estimate that our agencies will need an additional $19,481,220 in FY23 when the minimum wage is proposed to be $15 an hour for nonprofit agencies. InterACC/DD agencies have worked with the County Department of Health and Human Services (DHHS) to track our direct service wage numbers to come up with these estimates. As part of this testimony, I have included a chart which shows our projections. We are also working with DHHS to obtain a Medicaid match on these dollars which would significantly reduce to the cost to the County.

We are aware of the unintended consequences of passing minimum wage laws like this, in other jurisdictions, without including the financial resources to fund the requirements, and they are not pretty. "Carve outs" or extending the implementation of the minimum wage are of little value to us, since we must compete for employees in this wage market.

We are working on language with your attorneys that is consistent with other similar obligations the Council has made in law. Thank you for your consideration of our request.

Abilities Network/EFCR, The Arc of Montgomery County, CALMRA, CHI Centers, Community Support Services, Inc., Compass Inc., Full Citizenship, CSAAC, Head Injury Rehab and Referral, Jewish Foundation for Group Homes, J.P. Kennedy Institute, Jubilee Assn., R.O.I., SEEC, TransCen, The Rock Creek Foundation, Treatment and Learning Centers and other providers and government agencies serving individuals with developmental disabilities.

Backup for the Projected Impact of a County $15/Hour Minimum Wage on the Value of the DD Supplement with Five-Year Rollout

PER FY17 WAGE SURVEY *		
$4,890,058	FY15 hours	
$5,030,495	FY16 hours per FY17 wage survey (3% increase from FY15)	
$5,181,410	FY17 projection (assumes 3 % increase)	
$5,336,852	FY18 projection (assumes 3% increase)	
$5,496,958	FY19 projection (assumes 3% increase)	
$5,661,866	FY20 projection (assumes 3% increase)	
$5,831,722	FY21 projection (assumes 3% increase)	
$6,006,674	FY22 projection (assumes 3% increase)	
$6,186,874	FY23 projection (assumes 3% increase)	

Based on FY16 Direct Service Hours Data from the FY17 Wage Survey

	Year	County Min. Wage	County Min. Wage x 125%	DDA Wage Factor*	Difference between 125% of County Min. Wage and DDA Wage Factor	Supplement Needed to Maintain Wages (on Average) at 125% above Min. Wage	FY18 Approved DD Supplement Allocation	Add'l $/hr. Funded by FY18 Base Supplement	% Above County Min. Wage (Based on Current Allocation)	Additional Funding Needed to Maintain Wages at 125% (on Average) - Using the FY18 Approved Amount ($14.7M) as the Base
	7/1/2016	$10.75	$13.44	$10.94	$2.50	$12,940,571	$13,800,221	$2.66	26.5%	FY17 Approved
FY18	7/1/2017	$11.50	$14.38	$11.50	$2.88	$15,343,450	$14,729,712	$2.76	24.0%	FY18 Approved
FY19	7/1/2018	$12.00	$15.00	$11.90	$3.10	$17,026,827	$14,729,712	$2.68	21.5%	$2,297,115
FY20	7/1/2019	$12.75	$15.94	$12.14	$3.80	$21,497,824	$14,729,712	$2.60	15.6%	$6,768,112
FY21	7/1/2020	$13.50	$16.88	$12.38	$4.49	$26,193,992	$14,729,712	$2.53	10.4%	$11,464,280
FY22	7/1/2021	$14.25	$17.81	$12.63	$5.18	$30,216,905	$14,729,712	$2.45	5.8%	$15,487,193
FY23	7/1/2022	$15.00	$18.75	$12.88	$5.87	$34,210,932	$14,729,712	$2.38	1.8%	$19,481,220

* Assumes a 3.5% increase in FY19 and a 2% increase in FY20 -FY22

Prepared in collaboration with DHHS and edited by Tim Wiens for InterACC/DD

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MAADS

MARYLAND ASSOCIATION OF ADULT DAY SERVICES

And

LOVING CARE ADULT MEDICAL DAY CARE

09/26/2017

Honorable Members of the
Montgomery County Council

Re: Bill 28-17, Human Rights and Civil Liberties - County Minimum Wage - Amount - Annual Adjustment

Good Evening;

I am testifying before you wearing two hats – I am the incoming President of the Maryland Association of Adult Day Services (MAADS) and I am an owner operator of an Adult Medical Day Center (AMDC) center located in Gaithersburg.

Adult Medical Day Care (AMDC) Centers are Medicaid providers and as such have been a key partner to the State and County for over four decades. They provide the most vulnerable subset of the society--the elderly and disabled--with daily transportation to and from their home to the centers, receive medical care and nursing services, physical and cognitive activities, assistance with doctor's appointments, nutritional meals and snacks. AMDCs help the elderly and disabled individuals to remain an active member of the community for as long as they can, improving their mental as well as their physical condition.

Montgomery County AMDCs employ about 500 employees and serve over 2400 participants daily.

I appreciate the opportunity to present our strong concerns in regards to unintended consequences of the proposed Bill 28-17. I am here today because we are deeply concerned that this bill, while good intentioned, will have a significant and negative impact on the viability of the AMDC program and force many centers to close their doors and their participants to lose a vital and effective program that they have been using for years and depend upon each and every day of their lives.

What we ask is for the Council to amend the current bill to include a guaranteed supplement for AMDCs (similar to the one for Developmental Disability (DD) community) to cover the gap in funding for these organizations.

Our concerns and explanations are shown below:

1) **Adult Medical Day Care providers can't pass the additional costs associated with minimum wage increase to their clients; as this is prohibited by their Medicaid contract.** Basically, once Medicaid reimburses the AMDC for a patient/service, that payment is considered FINAL and we can't charge that patient any amount for that service.
2) **Adult Medical Day Care providers are limited in their ability to reduce their labor cost as they are required by COMAR to maintain certain employee to patient staffing ratio.** Reducing staff below this ratio will render the AMDC noncompliant with Medicaid and Office of Health Care Quality (OHCQ) Licensing requirements for care and service.
3) **Adult Medical Day Care providers don't have the means to increase their income to keep up with the rapidly rising minimum wage as they are primarily reimbursed through Medicaid and their reimbursement rate is set solely by Medicaid.** This rate is set solely and entirely by the State. The below table shows the AMDC reimbursement rate (for one day of service for one patient).

Budget Date	Actual Medicaid Reimbursement Rate For AMDC Service	Actual Medicaid Reimbursement Rate Increase	CPI-U	Adjusted Rate with CPI-U Increase
7/1/2009	**$73.27**		0.00%	$73.27
7/1/2010	**$71.80**	**-2.0%**	4.73%	$76.74
7/1/2011	**$71.08**	**-1.0%**	3.42%	$79.36
7/1/2012	**$71.79**	**1.0%**	4.54%	$82.96
7/1/2013	**$73.58**	**2.5%**	3.88%	$86.18
7/1/2014	**$73.58**	**0.0%**	3.01%	$88.77
1/1/2015	**$75.40**	**2.5%**	0.00%	$88.77
7/1/2015	**$75.40**	**0.0%**	2.85%	$91.30
7/1/2016	**$75.99**	**0.8%**	3.89%	$94.85
7/1/2017	**$77.51**	**2.0%**	0.70%	$95.51

As you can see, over the last eight years, Medicaid rates have only increased $4.24/per day. Based on the CPI-U, rates should have been at $95.51 – a difference of $18.00/day. Also, Medicaid reimbursement rate has been subject to cuts and no growth periods (shown in Red) and has always been lower than CPI-U rate. This is why the AMDC program is under severe financial stress already and is unable to absorb the rapidly increasing costs due to unprecedented and consecutive minimum wage increases in Montgomery County. Furthermore, State mandates that adult day rates are to be reimbursed in accordance with CPI-U; HOWEVER, the State has never met this requirement because it is qualified as to what is allowed in the

State budget. This further demonstrates that increases due to Montgomery County minimum wage must be subsidized by the County to ensure program viability.

4) **Adult Medical Day Care providers should not be treated differently than the Developmental Disability (DD) entities.** Both programs provide much needed care and support for the County's most vulnerable populations. Both programs are Medicaid funded and subject to the same financial stresses and limitations caused by the State budget. There is no reason why the County should consider Adult Medical Day Program differently than the DD program.

   To address the issues caused by the minimum wage increase, the County must allocate a subsidy to medical adult day care centers, similar to the subsidy provided to developmental disability providers. It is truly unconscionable to legislate that one set of providers deserves more or special treatment over another set when both are caring for this county's vulnerable populations. **The elderly deserve the same respect as the developmentally disabled** and we need your help as well.

5) **If you believe that this legislation is truly necessary, then it is also necessary to properly fund it for those providers caring for our State's Medicaid population.**

I very much appreciate your time and attention to these matters and will be glad to offer additional information shall you find it necessary.

Many thanks in advance;

Afshin Abedi, Ph.D.

CFO
Loving Care Adult Medical Day Care
17051 Oakmont Ave, Suite A
Gaithersburg, MD 20877
Phone: 240-543-6572

Additional information regarding Adult Medical Day services can be obtained at the following locations:

http://www.maads.org/

http://www.LovingCareMaryland.com

http://dhmh.maryland.gov/ohcq/amdc/Pages/home.aspx

JCRC

Government Relations • Israel Advocacy
Inter-Group Relations • Social Justice
Maryland • Virginia • Washington, DC • Since 1938

October 3, 2017

Montgomery County Council President Roger Berliner
100 Maryland Avenue
Rockville, MD 20850

RE: Comments on *Bill 28-17, Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment*

Dear Council President Roger Berliner and Members of the County Council:

I am writing to you today on behalf of the Jewish Community Relations Council of Greater Washington (JCRC) the public affairs and community relations arm of the Jewish community, representing over 100 Jewish organizations and synagogues throughout Maryland, Virginia, and the District of Columbia. The JCRC has a strong commitment to the Jewish community and community at-large to continue to cultivate a society based on freedom, justice and pluralism. We remain faithful to our four pillars of government relations, Israel advocacy, inter-group relations and social justice. The JCRC works tirelessly throughout the entire Greater Washington area to advocate support for our agencies who serve the most vulnerable residents and to campaign for important policy interests on behalf of the entire Jewish community.

There is a strong Jewish mandate to "champion the poor and the needy." *(Proverbs 31:9)* Judaism embodies a sense of ethical responsibility to everybody in our nation to ensure them the basic necessities of life and to use our efforts to provide all people with the ability to maintain their economic well-being and dignity. Therefore, the JCRC has had a long-standing policy of supporting "a federally-mandated minimum wage enabling a full-time employee to earn above the poverty level." We also support and advocate for "improved and enhanced government programs designed to enable workers to achieve economic well-being with dignity by, among other things, setting a minimum wage."

The JCRC acknowledges and understands that it is appropriate to take account of the fact that each governmental jurisdiction is different, with different local circumstances, and must consider the needs to its residents. However, we would like to express some concerns that we have with Bill 28-17 and the possible unintended consequences to our Jewish agencies and social service providers in the nonprofit community. We also want to make sure that any minimum wage laws take into account the economic impact on employers and, in certain cases, the overall availability of certain jobs, and on Montgomery County as a whole. These points should be considered to ensure that the basic goal of enabling low-wage workers to achieve economic well-being is not undermined and to avoid causing undue hardship to the legitimate interests of the business community.

After speaking with our local agencies, there are several points we'd like the County Council to consider as it begins its deliberations on this very important legislation. The concerns raised take into account how any minimum wage increase might impact both employees and consumers of our network of agencies that provide excellent cost-effective services on a non-sectarian basis.

- **Premier Homecare**, a wholly owned subsidiary of the Jewish Social Services agency, is a licensed, nonprofit private duty home care agency that servers hundreds of families each year throughout Montgomery County and the greater DC metro area. The concerns they have raised are twofold:

  - Impact on Employees – Our caregiving staff consists of primarily single immigrant women, trying to support their children. When the cost of providing care is increased, that cost has to be passed on to the consumer. Whether it is earned sick and safe leave or ramping up the minimum wage, for this employee population, it means a decrease in available work hours. When this occurs, caregivers are forced to go underground and work privately with no benefits and no support. They also are not paying any taxes and they do not have workmen's compensation or professional liability coverage.
  - Impact on Consumers – Many seniors in our community are moderate to low income. They rely on in-home care and support to be able to age in place in their homes. For most seniors, there is no funding for this type of care. It is paid for by the consumer. When the cost of those services increases, often this means a decrease in the amount of care that the consumer can afford. Many of them are not sick enough to qualify for a nursing home or unable to afford assisted living. Receiving care at home becomes their only option. If they can't afford an appropriate level of care, they could face hospitalization, eviction or worse.

- **Bender Jewish Community Center of Greater Washington** – The Bender JCCGW is proud to have served the Greater Washington community for over 100 years and has been located here in Montgomery County since 1969. The JCCGW embraces and welcomes the diversity of our community and encourages everyone to seek meaning and fulfillment by participating in our rich programming inspired by our Jewish heritage. We open our doors to everyone, including people of all backgrounds, religions, abilities, and sexual orientations, and interfaith couples and families.

  - To maintain our revenue base, families using our preschool and after school services would see their fees increase as a result of increasing the minimum wage to $15/hour. This also does not take into account increases due to inflation or allocating the impact of the minimum wage increase on our facilities staff to our program areas. We recognize that this increase is over an implementation schedule, nonetheless, this would be a significant increase in real costs.
  - Preschool families would pay an average of $2,800 more per year (a 12% increase).
  - After school families would pay an average of $1,200 more per year (a 27% increase).
  - Families choose full day preschool and after school care because the parents work full time. The increase in minimum wage will have an adverse effect on family budgets, especially those families that are already two-earner or single parent families.

- **Charles E. Smith Life Communities** is a nonprofit organization serving daily more than 1,100 older adults in multiple residences in Rockville, Maryland. Our services include skilled nursing care and post-acute care at Hebrew Home of Greater Washington; independent living at Revitz House and Ring House; assisted living at Landow House; memory care assisted living at

Cohen-Rosen House; geriatric outpatient medical care at Hirsh Health Center; and temporary safe shelter and advocacy for victims of elder abuse at the ElderSAFE™ Center. Charles E. Smith Life Communities employs over 1,000 team members across our campus, and as a nonprofit organization with a mission of providing a continuum of quality services for older adults and their families in the community, we are committed to the welfare of our residents and our team members. We are concerned that Bill 28-17 will have a *negative* impact on our ability to fulfill our charitable mission for the following reasons:

- Fifty-six percent of our operating expenses is due to personnel costs. If minimum wage is increased to $15, our organization would see an increase in total labor expenses of approximately $1.9 million annually.
- Hebrew Home of Greater Washington, part of Charles E. Smith Life Communities, is a licensed 556-bed skilled nursing residence where care has been provided for the frailest, elderly members of the community for over 107 years. The Hebrew Home is a critical community resource providing post-acute care and long-term care for the growing elderly population. We are the largest nursing home provider and the largest single-site provider of Medicaid services in the state. Fifty-eight percent of our operating revenue is derived from serving Medicare and Medicaid beneficiaries, and we know that the rate of growth for these revenue sources will not keep pace with the cost of labor if the minimum wage is raised to $15.
- In addition, changes in Medicare reimbursement as well as potential cuts in Medicaid reimbursement will further negatively impact our revenue, making our ability to pay higher wages while receiving reduced payment for services unfeasible.

Furthermore, although admirable in intention, a temporary delay or an exclusion from the minimum wage increase based upon our tax exempt status will not diffuse the impact on our organization or other nonprofits. All county businesses, regardless of tax status, depend upon the same labor pool. We are very concerned that this legislation will create an environment in which we will not be able to compete for recruitment of the employees we need. This legislation will not only negatively impact our recruitment, but also the retention of long-standing and experienced employees who would expect an increase of their current wages. Our organization will not be able to increase wages without increasing costs to those we serve and as noted above, due to our reliance on government funding, those who rely on their own resources may be disproportionately impacted by any effort we make to protect our charitable mission.

- **Jewish Foundation for Group Homes (JFGH)** is a nonprofit organization dedicated to enhancing the independence, dignity, choice, and community inclusion of individuals with disabilities regardless of faith or creed. The programs support more than 200 individuals in over 70 sites throughout the DC metro area. JFGH has been participating in a coalition with 30 developmental disabilities providers called the Inter ACC/DD to discuss language that would help ensure that the DD providers can maintain paying their professionals 125% of minimum wage.
  - Inter ACC/DD is asking that the bill be amended to include specific language that Direct Support Professionals (DSPs) employed by agencies providing services for adults with intellectual and other developmental disabilities (IDD) will, on average, be paid 125% of the new minimum wage.

- This is a commitment supported under the current County minimum wage bill by both the County Executive and the County Council by making increases in the DD County Supplement.
- Agencies providing IDD services receive 90% of their funding from Medicaid, the State of Maryland and Montgomery County. These agencies cannot raise their prices, they cannot bill their clients, and they need public support to increase wages.
- Director Support Professionals (DSPs) currently earn an estimated $14.38 an hour, on average. In order to stay at 125% of $15 an hour, they will need to earn on average $18.74 an hour.
- The County DD Supplement is currently funded at $14,729,712. An additional $19,481,220 will be needed per year in FY23 to keep the minimum wage for DSPs at 125% of $15 an hour.
- Inter ACC/DD is actively working with the State of Maryland to secure additional State and Federal resources to mitigate these costs to the County.
- The work that DSPs do for adults with developmental disabilities is not minimum wage work. This work needs to be valued and the employees who do this work need to earn a living wage.

For the many reasons stated above, the JCRC would respectfully ask the County Council to consider our concerns on Bill 28-17 as you move through the worksession process. We understand how important this minimum wage legislation is to our community. We sincerely thank the members of the County Council for consideration of our perspective on this very important issue.

Sincerely,

Meredith R. Weisel, Esq.
Director of Maryland Government and Community Relations