

MEMORANDUM

January 15, 2015

TO: County Council

FROM: Josh Hamlin, Legislative Attorney 

SUBJECT: **Public Hearing:** Bill 59-14, Human Rights and Civil Liberties – County Minimum Wage – Effective Dates

Bill 59-14, Human Rights and Civil Liberties – County Minimum Wage – Effective Dates, sponsored by then Council President Rice, was introduced on November 25. A Health and Human Services Committee worksession is tentatively scheduled for February 12, 2015 at 9:30 a.m.

Bill 59-14 would change the effective dates of future increases in the County minimum wage from October 1 to July 1 of the years 2015, 2016, and 2017. In November 2013, the County enacted Bill 27-13, Human Rights and Civil Liberties – County Minimum Wage – Dollar Amount, establishing the County minimum wage with phased increases on October 1 of each year through 2017. In its 2014 session, the Maryland General Assembly enacted HB 295, increasing the State minimum wage with phased increases on July 1 of each year through 2018. Synchronizing the dates would simplify the administration of the annual increases by employers.

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Bill No. 59-14
Concerning: Human Rights and Civil
Liberties – County Minimum Wage –
Effective Dates
Revised: 11/05/2014 Draft No. 1
Introduced: November 25, 2014
Expires: May 25, 2016
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: Council President Rice

AN ACT to:

- (1) change the effective dates of increases in the County minimum wage; and
- (3) generally amend the law governing the County minimum wage.

By amending

Chapter 34 of the Laws of Montgomery County 2013
Section 2, Transition

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

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

1 **Sec. 1. Section 2 of Chapter 34 of the Laws of Montgomery County**
2 **2013 is amended as follows:**

3 **Sec. 2. Transition.**

4 Notwithstanding Section 27-68, as added in Section 1, the County minimum
5 wage, until [October] July 1, 2017, must be the greater of the minimum wage
6 required under the Federal or State Act or:

- 7 (a) effective October 1, 2014, \$8.40 per hour;
- 8 (b) effective [October] July 1, 2015, \$9.55 per hour; and
- 9 (c) effective [October] July 1, 2016, \$10.75 per hour.

10 *Approved:*

11

Craig L. Rice, President, County Council

Date

12 *Approved:*

13

Isiah Leggett, County Executive

Date

14 *This is a correct copy of Council action.*

15

Linda M. Lauer, Clerk of the Council

Date

LEGISLATIVE REQUEST REPORT

Bill 59-14

Human Rights and Civil Liberties – County Minimum Wage – Effective Dates

DESCRIPTION: Bill 59-14 would change the effective dates of future increases in the County minimum wage from October 1 to July 1 of the years 2015, 2016, and 2017.

PROBLEM: After the County enacted Bill 27-13, establishing the County minimum wage with phased increases through 2017, the Maryland General Assembly passed HB 295, increasing the State minimum wage. Both County and State minimum wages include annual increases through 2017 and 2018 respectively, with the County's minimum wage increasing on October 1 of each year, and the State minimum wage increasing on July 1 of each year.

GOALS AND OBJECTIVES: Synchronize the increases of the County and State minimum wages.

COORDINATION: Office of Human Rights / Human Rights Commission

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

APPLICATION WITHIN MUNICIPALITIES: To be researched.

PENALTIES: N/A

A Comparison of Bill 27-13 and HB 295 Minimum Wage Rates

Date	Federal	State	County
October 1, 2014	7.25	7.25	8.40
January 1, 2015	7.25	8.00	8.40
July 1, 2015	7.25	8.25	8.40
October 1, 2015	7.25	8.25	9.55
July 1, 2016	7.25	8.75	9.55
October 1, 2016	7.25	8.75	10.75
July 1, 2017	7.25	9.25	10.75
October 1, 2017	7.25	9.25	11.50
July 1, 2018	7.25	10.10	11.50



ROCKVILLE, MARYLAND

MEMORANDUM

January 12, 2015

TO: George Leventhal, President, County Council

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

SUBJECT: FEIS for Bill 59-14, Human Rights and Civil Liberties – County Minimum Wage
– Effective Dates

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
James Stowe, Director, Office of Human Rights
David Platt, Department of Finance
Phil Weeda, Office of Management and Budget
Helen Vallone, Office of Management and Budget
Alex Espinosa, Office of Management and Budget
Naeem Mia, Office of Management and Budget

Fiscal Impact Statement

Council Bill 59-14, Human Rights and Civil Liberties-County Minimum Wage-Effective Dates

1. Legislative Summary.
 - a. Change the effective dates of future increases in the County minimum wage from October 1 to July 1 of years 2015, 2016, and 2017.
 - b. Amend the law governing the County minimum wage. (Chapter 27 instead of Chapter 34)

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.

There would be no apparent change in county revenues or expenditures. Currently all county full time employment positions pay above the minimum wage and our current contracting policy requires the county to pay according to the County's Living Wage Program. The current rate is \$14.15/hour for FY 15.

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

Expenditures over the next 6 fiscal years are estimated to be flat and consistent with current budget projections.

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

Not applicable

5. An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.

Not applicable

6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

Not applicable.

7. An estimate of the staff time needed to implement the bill.

No additional staff required.

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

Not applicable.

9. An estimate of costs when an additional appropriation is needed.

Not applicable.

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

Not applicable.

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

Not applicable.

12. If a bill is likely to have no fiscal impact, why that is the case.

The bill changes the implementation date only.

13. Other fiscal impacts or comments.

Not applicable.

14. The following contributed to and concurred with this analysis:

Jim Stowe, Director, Office of Human Rights

Joseph Adler, Director, Office of Human Resources

Phil Weeda, Office of Management and Budget

Helen Vallone, Office of Management and Budget



Jennifer A. Hughes, Director
Office of Management and Budget

1/13/15

Date

Economic Impact Statement
Bill 59-14, Human Rights and Civil Liberties –
County Minimum Wage – Effective Dates

Background:

This legislation would change the effective dates of future increases in the County minimum wage from October 1 to July 1 of the years 2015, 2016, and 2017. The changes would increase the number of months covered under the minimum wage in FY2016 and FY2017 by three months. The rates for FY2016 and FY2017 are \$9.55 per hour and \$10.75 per hour, respectively

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

Sources of information include:

- the *BLS Reports*, “Characteristics of Minimum Wage Workers, 2013”, Report 1048, U.S. Bureau of Labor Statistics (BLS), March 2014, and
- Montgomery County labor force statistics, Local Area Unemployment Statistics (LAUS), BLS.

The Department of Finance (Finance) assumes, under Bill 59-14 there will be an increase of three months (from October to July) of coverage for rates that under current law begins in October. Under current law, the minimum wage between October 1, 2014 and October 1, 2015 is \$8.40. Under Bill 59-14, the minimum wage of \$9.55 would begin in July 1, 2015 instead of October 1, 2015. Therefore, there is an increase in the minimum wage of \$1.15 per hour for that three-month period. Under the same provision in Bill 59-14, the increase in the minimum wage is \$1.20 for the period July through September 2016 for FY2017 effective from July 1, 2016.

The Department of Finance assumes that 480 working hours are affected by the increase in the effective dates. The number is based on three months, four weeks per month, and forty hours per week.

Based on data in *BLS Reports*, the number of employees in the state below the minimum wage was 36,000 in CY2013. Using the data from that report and data from LAUS, Finance estimates the number of employees in the County below the minimum wage to be 6,382 in FY2016 and 6,471 in FY2017.

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

The variables that could affect the economic impact estimates are the number of working hours of 480 and the number of workers below the minimum wage as estimated by Finance.

**Economic Impact Statement
Bill 59-14, Human Rights and Civil Liberties –
County Minimum Wage – Effective Dates**

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

Based on the assumptions discussed in paragraph #1, Finance estimates the positive effect on employee incomes is over \$3.5 million in FY2016 and over \$3.7 million in FY2017. While the estimated number of employees below the minimum wage would receive a positive economic benefit, employers would experience additional labor costs equal to the amount of the employee benefit. However, if the employer chooses to pass on those additional costs through higher prices, the consumer would incur the additional costs. Therefore, the additional income to the employee would be offset by the additional costs to either the employer or consumer. As a result, the net effect to the County's economy from Bill 59-14 would be zero and the Bill would have no net economic impact.

However, there is no consensus among economists on the effects of the minimum wage and employment. Based on the review of the research, it is not certain whether an increase in the minimum wage would increase or decrease employment. This uncertainty is based on the following factors:

- 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
- The multiplier effect of increasing the minimum wage on the local economy

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

Bill 59-14 would have positive economic impact on current employees currently below the minimum wage but that positive economic impact is offset by additional labor costs incurred by employers. As stated in section #3, such a tradeoff would be a net zero impact. However, it is uncertain whether increasing the minimum wage over the three month period would have an effect on employment.

5. The following contributed to or concurred with this analysis: David Platt and Rob Hagedoorn, Finance; James Stowe, Director, Office of Human Rights.



Joseph E. Beach, Director
Department of Finance

1/12/15

Date