

MEMORANDUM

June 17, 2016

TO: County Council

FROM: Josh Hamlin, Legislative Attorney 

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

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 Health and Human Services Committee worksession will be scheduled at a later date.

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 set to increase to \$10.75 on July 1 of this year, 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.

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

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.

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 have enacted statewide laws that will increase the minimum wage for at least some workers to \$15 per hour over a period of years. State legislatures in Massachusetts⁴ and New Jersey⁵ weighing measures raising the minimum wage to \$15 per hour for some or all workers. In this region, the District of Columbia and Baltimore City are currently considering bills to phase in minimum wage increases resulting in a \$15 per hour minimum wage by 2020.

State laws:

Under California's new law,⁶ 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 certain economy or budget conditions are met.⁷ 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.

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 <http://www.metrowestdailynews.com/article/20160605/NEWS/160607750>

⁵ http://www.nj.com/politics/index.ssf/2016/05/15_minimum_wage_gets_senate_committee_approval.html

⁶ https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB3

⁷ *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.

- 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.

Bills under consideration in the region:

The District of Columbia is poised to enact a law this summer increasing the minimum wage to \$15 by 2020.⁸ The bill, which is supported by Mayor Muriel Bowser, unanimously passed its first reading before the full Council on June 7, and is expected to be finally voted on in July. It would continue to raise the District of Columbia minimum wage – currently \$10.50, but already set to increase to \$11.50 on July 1, 2016 – in additional 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 D.C. 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 2020.⁹ 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 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

⁸ <http://lims.dccouncil.us/Legislation/B21-0712?FromSearchResults=true>

⁹ <https://baltimore.legistar.com/LegislationDetail.aspx?ID=2692688&GUID=F0B89A4C-DD59-42FF-B459-5B40DD8E8391&Options=ID%7CText%7C&Search=minimum+wage>

The Baltimore bill would also eliminate some exemptions under the City's existing law, and amend the enforcement provisions of the law. A public hearing on the bill was held before the City Council's Labor Committee on June 15.

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.

This packet contains:

Bill 12-16

Legislative Request Report

Fiscal and Economic Impact statement

Circle #

1

4

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Bill No. 12-16
Concerning: Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment
Revised: 03/29/2016 Draft No. 2
Introduced: April 12, 2016
Expires: October 12, 2017
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, Navarro and Hucker

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; and
- (3) 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

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 27-68 is amended as follows:**

2 **27-68. Minimum Wage Required.**

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

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

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

10 (3) [\$11.50] \$15.00 per hour.

11 (b) *Annual adjustment.* The Chief Administrative Officer must adjust the
12 minimum wage rate required under Subsection (a)(3), effective July 1,
13 2021, and July 1 of each subsequent year, by the annual average
14 increase, if any, in the Consumer Price Index for Urban Wage Earners
15 and Clerical Workers, CPI-W, or a successor index, for the previous
16 calendar year. The Chief Administrative Officer must calculate the
17 adjustment to the nearest multiple of five cents, and must publish the
18 amount of this adjustment not later than March 1 of each year.

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

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

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

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

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

27 (1) retaliate against any person for:

- 28 (A) lawfully opposing any violation of this Article; or
- 29 (B) filing a complaint, testifying, assisting, or participating in
- 30 any manner in an investigation, proceeding, or hearing
- 31 under this Article; or
- 32 (2) obstruct or prevent enforcement or compliance with this Article.

Sec. 2. Transition.

34 Notwithstanding Section 27-68, as amended in Section 1, the County
35 minimum wage, until July 1, 2020, must be the greater of the minimum wage
36 required under the Federal or State Act or:

- 37 (a) effective July 1, 2017, \$11.50 per hour;
- 38 (b) effective July 1, 2018, \$12.50 per hour;
- 39 (c) effective July 1, 2019, \$13.75 per hour.

Sec. 3. Effective Date.

41 This Act takes effect on October 1, 2016.

42 *Approved:*

43 Nancy Floreen, President, County Council Date

44 *Approved:*

45 Isiah Leggett, County Executive Date

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

47 Linda M. Lauer, Clerk of the Council Date

LEGISLATIVE REQUEST REPORT

Bill 12-16

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. It would also require annual adjustments to the County minimum wage each year beginning in 2021.
- PROBLEM:** The existing County minimum wage of \$9.55 per hour, which will increase to \$10.75 on July 1 of this year and \$11.50 on July 1, 2017, 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.



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
Nacem 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
				Total impact	\$6,483,575

Note: cost estimate includes payroll tax of 7.65%

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.

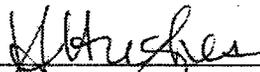
Not applicable.

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



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,

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

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%)

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

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.

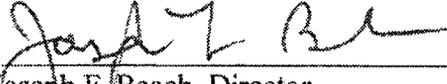
Finally, in the research studies presented above, the conclusions are based on datasets used to determine the effect of the minimum wage on employment, the statistical methods used to reach those conclusions, and the model used as the theoretical framework to conduct the analysis.

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

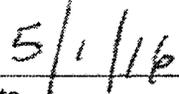
4. If a Bill is likely to have no economic impact, why is that the case?

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



Date