



OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

MEMORANDUM

September 13, 2017.

Isiah Leggett
County Executive

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