

## **WAGE REQUIREMENTS LAW** **FY 24 ANNUAL REPORT**

The Wage Requirements Law (WRL), County Code Section 11B-33A, works to ensure that workers on certain County service contracts receive a livable wage<sup>1</sup>. The WRL, commonly known as the Living Wage Law, is an effort to offset the high cost of living in Montgomery County. The WRL minimum mandated rate of pay for FY24 was \$17.05 per hour. The WRL exempts a limited class of vendors from coverage, including vendors with contracts under \$50,000, tax exempt organizations and bridge contracts.

### **FY 24 Retroactive Pay from County Contractors**

One administrative requirement of the WRL is for contractors to submit quarterly payroll reports. These reports must contain the worker's wages, health insurance and other fringe benefits, as well as the race and gender of workers who perform work on the County contract. In FY 24 the County realized a submission rate of 88.6%. The FY24 submission rate decreased by 2.2% from FY23.

As a part of WRL enforcement, the Office of Procurement, Division of Business Relations and Compliance (DBRC) conducts audits when circumstances warrant. When an audit reveals an underpayment of the vendor's workers and subcontractors who work on County services contracts, the DBRC requires the vendor to issue back pay to the affected workers and subcontractors. Audit activity continued to be limited in FY 24 due to budget constraints.

Despite this, the County did recover back wages for several workers. When the County discovers a violation, the County and the contractor often agree to a settlement. In this manner, all parties avoid the time and expense of an audit. In FY 24 these efforts resulted in ninety-seven workers sharing \$6,533.12 in back pay.

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<sup>1</sup> The Wage Requirement Law is applicable to contracts executed on or after July 1, 2003.

**Minority, Female and Disabled (MFD) Contracts Subject to the Wage Requirements Law**

The WRL requires an annual report on the number of contracts and subcontracts with minority-owned businesses that are subject to the requirements of the Law along with data on year-to-year variance. In accordance with Section 11B-33A(i) of the Wage Requirements Law, the tables below contain the number of MFD contracts and subcontracts subject to the Wage Requirements Law.

**MFD Contracts and Subcontracts Subject to the Wage Requirements Law  
FY21 — FY24**

	FY21 Contracts				
	All	MFD			
		Prime		Sub	
Contracts subject to Wage Requirements Law	826	289	35%	93	11%
Contracts with a vendor-claimed exception	322	114	35%	1	0%
Contracts operating under the Wage Requirements Law	504	175	35%	92	18%

	FY22 Contracts				
	All	MFD			
		Prime		Sub	
Contracts subject to Wage Requirements Law	1066	277	26%	94	9%
Contracts with a vendor-claimed exception	473	118	25%	0	0%
Contracts operating under the Wage Requirements Law	593	159	27%	94	16%

	FY23 Contracts				
	All	MFD			
		Prime		Sub	
Contracts subject to Wage Requirements Law	1356	455	33%	99	7%
Contracts with a vendor-claimed exception	659	205	31%	3	0%
Contracts operating under the Wage Requirements Law	697	240	34%	96	14%

	FY24 Contracts				
	All	MFD			
		Prime		Sub	
Contracts subject to Wage Requirements Law	1441	343	24%	193	13%
Contracts with a vendor-claimed exception	734	179	24%	2	0%
Contracts operating under the Wage Requirements Law	707	164	23%	191	27%

For the years reported, FY21 through FY24, MFD participation was relatively consistent. For those contracts ultimately subject to the Wage Requirements Law, those with no vendor-claimed exemption, for prime contractors, the participation range was from 23% to 35%. The average MFD prime contractor participation was 29.75%. For MFD sub-contractors, their participation ranged from 14% to 27%, and the average MFD sub-contractor participation was 18.75%.

**Vendor-Claimed Exceptions to the Wage Requirements Law**

The Wage Requirements Law allows for exceptions based on the characteristics of the vendor’s business. The County began compiling this information in FY06.

	FY21	FY22	FY23	FY24
Contracts subject to Wage Requirements Law <sup>i</sup>	826	1066	1356	1441
Contracts with a vendor-claimed exception	322 (39%)	473 (44%)	659 (49%)	734 (51%)
Contracts operating under the Wage Requirements Law	504 (61%)	593 (56%)	697 (51%)	707 (49%)
Reason 1	4	2	5	5
Reason 2	136	265	310	371
Reason 3	3	3	5	8
Reason 4	174	196	331	342
Reason 5	0	0	0	0
Reason 6	3	4	4	5
Reason 1,2	0	0	0	0
Reason 1,4	0	0	0	0
Reason 2,4	1	1	1	0
Reason 1,2,4	0	0	0	0
Total	321	471	656	731

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<sup>1</sup> Section 11B-33A (b) of the County Code permits vendors to claim exceptions to the Wage Requirements Law. They are listed on the Wage Requirements Certification form as follows:

Reason 1 - Vendor employs fewer than 10 employees. (Repealed effective April 1, 2010.)

Reason 2 - Vendor has received less than \$50,000 in the last 12 months and will receive less than \$50,000 in the succeeding 12 months.

Reason 3 - Vendor is a public entity.

Reason 4 - Vendor is a nonprofit organization under section 501(c)(3) of the Internal Revenue Code.

Reason 5 - Vendor is expressly precluded from complying with the Wage Requirements Law by the terms of any federal or state law, contract or grant.

Reason 6 – CAO Waiver.