



THE VOICE OF MONTGOMERY COUNTY BUSINESS

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Public Hearing on Bill 12-16, Human Rights and Civil Liberties –
County Minimum Wage Amount – Annual Adjustment
June 21, 2016

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

According to the bill sponsors, the proposed legislation intends to address the stated problem that current State and federal minimum wage is insufficient to support a full-time worker in Montgomery County.

On behalf of the MCCC Board of Directors* and member companies who employ over 80,000 full-time employees and hundreds of part-time employees in our region, we are concerned that the proposed legislation will not address the stated problem effectively.

Our mission is to accelerate the success of our members. In so doing, we help to create access to opportunities for self-sufficiency for all residents in our community. The proposed legislation makes that goal more difficult.

The specific concerns with regard to this proposed legislation are as follows:

#1 What are the implications of the one-size-fits-all approach in the proposed legislation?

As reflected in our membership, Montgomery County has tremendous diversity in the types, sizes and ages of business. MCCC member companies make business decisions every day to be competitive in a complex marketplace, to attract and retain key talent, and to create an organizational culture that invests in their key asset: their employees. These decisions vary for each organization depending on industry, size, stage of growth, strategic plan, other federal, state and local mandates and costs of doing business. It is critical to allow for flexibility to ensure greater growth and success that benefits the community. A 'one-size-fits-all' approach limits that flexibility and impedes business success.

#2 How does the proposed legislation impact a Montgomery County business's ability to compete regionally and nationally?

This law impacts employers in Montgomery County only. Montgomery County businesses operate in close proximity to other jurisdictions in Maryland and Virginia. The higher the cost to do business here, the less competitive Montgomery County becomes as a location to start, run and grow a business.

Specifically, Montgomery County has the second highest number of businesses that sell to the federal government. Many compete in a Lowest Price Technically Acceptable (LPTA) environment. Increased direct and indirect operating costs (see below) make businesses less competitive and will force them to leave Montgomery County to survive.

#3 What kind of analysis has been conducted to compel the County Council to act on this measure now?

A thorough analysis of the broad reaching impact of this proposal has not been conducted. In fact, we do not know the impact of existing legislation because it has yet to be fully enacted. Baltimore City has determined that they need more time to thoroughly review a similar proposal and the intended and unintended consequences before extending and expanding their minimum wage. This is not the time to extend and expand the legislation in Montgomery County and certainly not without more thorough review.

#4 What is the direct impact to a business?

In addition to impacts on payroll tax and unemployment insurance, many salaries are pegged to minimum wage and wage compression will occur. There are numerous other business and employment related costs, exacerbating the cumulative impact that businesses continue to absorb including:

- Earned Sick and Safe Leave
- Administering Mandatory Retirement
- Overtime regulations
- Affordable Care Act
- Rent/property tax increase

There is little recognition of and no relief offered for this real burden in terms of time and resources for a business, especially a small, new or non-profit business.

#5 What are the indirect impacts?

The indirect impact on businesses, including large employers with hundreds of people earning well above minimum wage, is also significant. These businesses rely on a vendor network of small business that will be forced to pass on increased costs to their customers, thereby increasing the cost of doing business in Montgomery County. This proposal will have significant unintended consequences for businesses of all sizes.

#6 How does a mandate like this impact the County's budget (operational costs, grants, capital projects etc.) that are ultimately paid with tax payer dollars?

This law will also commit the county to wage increases and wage compression for county employees as well as grantees and contractors. There is a real concern about how the anticipated increases in the operating and capital budgets will be managed.

7 Who does the proposed legislation serve?

It is important to note that this bill helps minimum wage workers who work in Montgomery County but who do not necessarily reside in Montgomery County. These entry level jobs will be attractive to workers around the region since they will be among the highest paid low-skill jobs. Will county residents with limited or no skills be able to compete and find employment here in Montgomery County? This is just one aspect of the 'go-it-alone' approach that is not in the best interest of Montgomery County residents and businesses.

#8 Are we missing the bigger picture?

As Don Fry, President and CEO of the Greater Baltimore Committee, noted in a recent article about the Baltimore City minimum wage proposal, which also applies here, the proposed legislation does not:

- increase the caliber of our school system
- help businesses create jobs
- provide access to workforce training
- create pathways for workers in middle-skilled employment opportunities
- help entrepreneurs start and build businesses
- create more affordable housing [or promote housing affordability – which is different]
- provide a better transit system so workers can access available jobs
- help connect returning citizens to employment opportunities

The MCCC Business Environment Council advocates for economic competitiveness and engages on these issues and more.

As we've heard from our members, a particular challenge is attracting the right talent in order to remain relevant and competitive. An abundant supply of housing choices – especially middle-market housing options for young professionals, empty nesters and young families – is a necessity along with a robust transportation network and stellar school system. We look forward to working with the Montgomery County Council to address these critical issues for the success of our community which benefits all residents. We believe that policy discussions and decisions around these issues will have more profound impact on the local economy to the benefit of all our residents.

The business community and MCCC have a vested interest in the success and sustainability of the community and in helping individuals achieve self-sufficiency. We ask that you address the questions and concerns raised here before extending and expanding the local minimum wage.

We look forward to continuing to work with you to create access to more opportunities for more Montgomery County residents.

*2016-2017 MCCC Board of Directors

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About MCCC

The Montgomery County Chamber of Commerce (MCCC) accelerates the success of our members by advocating for increased business opportunities, strategic investment in infrastructure and balanced tax reform to advance Metro Maryland as a regional, national and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and is proud to be a Montgomery County Green Certified Business.