

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

### Background

- A Bill has been introduced to increase the County’s minimum wage to \$15 by July 2020 and indexed thereafter.
- The current minimum wage for Montgomery County [established by Bill 27-13] is \$9.55 and will increase to \$11.50 by July 2017.
- Montgomery County minimum wage is higher than the State and Federal minimum wage. With the new proposal, Montgomery County will be the highest in the State.

	Montgomery County	Prince George's County	DC	MD State
Current	\$9.55	\$9.55	\$10.50	\$8.25
2016*	\$10.75	\$10.75	\$11.50	\$8.75
2017	\$11.50	\$11.50	\$11.50 and indexed	\$9.25
2018	\$12.50			\$10.10
2019	\$13.75			
2020	\$15			
2021	\$15 and indexed			
*Please note the phase in month differs from jurisdiction to jurisdiction.				
Proposed changes are highlighted				

### Questions and Concerns about Bill 12-16:

#### 1. Why Now?

In 2013 the Montgomery County Council approved an unprecedented increase in the minimum wage. There are two more wage increases already scheduled in July 2016 and July 2017.

The impact of the approved increases has yet to be fully realized and yet the Council is ready to extend the increases today. Any change proposed by the new Bill won’t take effect until 2018, so why do it now?

#### 2. Why are we doing this alone?

Does Montgomery County really want to be alone in raising the minimum wage to \$15? How will this increase impact our competitiveness in the Region?

We have always contended that the mandatory minimum wage is a State issue. When the County passed its increase in minimum wage in 2013, it did so in conjunction with Prince Georges County and the District of Columbia, followed by a State bill. Prince Georges County has recently declared that they will not move forward with an additional increase and we have heard nothing from the State in regards to an increase.

In a Washington Post article (March 31, 2016) Prince George’s County Council Chairman Derrick Leon Davis (D-Mitchellville) said it is unlikely that his jurisdiction will join the latest effort. ***The county, he said, is currently facing too many economic uncertainties to justify another increase. Moreover, nonprofit providers of services to the developmentally disabled are already saying that without more help from the government, they will be unable to keep pace with the current schedule of wage increases. “Our realities are catching up with us right now,” Davis said. “At this time, it would be imprudent to take another step in that direction.”***

Other jurisdictions (Frederick, Howard, Virginia) have no plan to change their minimum wage. So again, Montgomery County, Why Now?

### **3. What is the impact on business to increasing the Minimum Wage?**

There have been a number of recent changes in the structure and level of employee compensation. These changes will have a cumulative impact on existing and future business. Recent changes include:

- Two more increases in the County's minimum wage yet to come (2016 / 2017).
- Mandatory Safe and Sick Leave in Montgomery County will take effect in October 2016.
- There has been a change in the Federal Overtime Regulations to take effect in December 2016 which may have a major impact on personnel costs.
- The stated minimum wage does not include the additional cost of social security, worker's compensation, or any benefits tied to wages.
- Continued implementation of the Affordable Care Act.

It is difficult to predict the cumulative effect of these changes on businesses large and small. There are too many balls in the air for businesses to have a good understanding of how the various legislated changes will impact their overall budgets.

The County hasn't done any research to see what the impact of increased minimum wage has been in other jurisdictions. There may not be data because this is all so new. The County Executive has suggested having some type of trigger in place to stop the increase if the economy declined. However, once these triggers are met, it's too late. There is a lag in economic indicators. Some economists report doom and gloom, while other economists report this as a non-event. Before legislating another increase, the County should do it due diligence in researching the impact of a \$15 minimum wage.

### **4. Where is the fiscal note for this bill?**

To date, there is no fiscal note on this bill. Although we know there will be an impact on the cost of personnel for Montgomery County.

If the lowest pay grade in the County (including MCPS) is elevated to \$15 hour, there will be a corresponding increase throughout the salary structure (wage compression). Also, County contracts require a living wage (up to \$14.40 by 2017). What happens to all the contracts when the minimum wage is increased?

This Bill will also have an increase in our non-profit community. They too are dealing with mandatory sick leave and the change in overtime exemptions. Will the County step up its contribution to the non-profit organizations that it is currently supporting to cover the increase in minimum wage?

At this point, we don't know how the increased expense in County personnel, County contracts, and County grants will be accommodated in future County budgets. Because we don't know the extent of the fiscal note for the County, we don't know what additional revenue will be needed. The FY 2017 County budget saw an increase in property tax and an increase in recordation tax. Can we expect annual property tax increases to pay for the annual increases in minimum wage throughout the County personnel structure?