




OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

MEMORANDUM

January 23, 2017

Isiah Leggett
County Executive

TO: Roger Berliner, President
County Council

FROM: Isiah Leggett, County Executive 

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

There continues to be a great deal of discussion since the passage of Bill 12-16, Human Rights and Civil Liberties – County Minimum Wage – Amount – Annual Adjustment, and my position regarding this bill. I understand that there is a strong interest by some councilmembers to even reconsider the bill. However this is no longer a possibility since this bill has been signed and transmitted to the executive branch. At present, I have only three options: sign the bill and it becomes law as is, not sign the bill and it will go into effect without my signature or veto the bill. The only way to express my position regarding this bill at this time is to reluctantly veto and return it to you with what I believe is a more reasonable path to moving the County to a \$15 wage.

That said, I wish to congratulate the County Council on the very full and thoughtful discussion it held on the bill. In particular, I want to commend Councilmember Elrich for his commitment to the issue. I respect his very principled position on a matter that is extremely important to our County and the nation as a whole.

As I have said on numerous occasions, I support the effort to move toward \$15 per hour over an appropriate timeframe and under certain conditions. And that sentiment was expressed by you and your Council colleagues who voted against the bill. Indeed, the Council unanimously passed Bill 27-13, the 2013 Minimum Wage bill, and we celebrated together with a public bill signing ceremony. But this year's effort became much more contentious and divided resulting in only a 5-4 majority. Many believed it went too far, too fast, and I am disappointed that we did not find a broader consensus.

It is my hope that a modified bill can be introduced in the near future and, similar to the 2013 bill, receive greater support. Such an effort would send a stronger and clearer message to our County and to the rest of the State.

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While the Council adopted several amendments intended to address some of the issues I raised in my November 22, 2016 memorandum, I do not believe they went far enough to address the very serious issues that I am concerned about or to gain more widespread support. I wish to thank the Council for adopting my recommendation for the so-called "off ramp" to address concerns about increasing the minimum wage during economic downturns. Other issues, however, were not addressed satisfactorily.

As mentioned previously, Montgomery County has already put itself in the forefront on the minimum wage issue and several other initiatives to assist our more vulnerable residents. Montgomery County's minimum wage is, and will continue to be, higher than both the federal and State minimum wage, as well as that in all surrounding jurisdictions except the District of Columbia. I remain concerned, however, about the competitive disadvantage Bill 12-16 would put the County in compared to our neighboring jurisdictions. Additionally, we must realize that Bill 27-13 would put our County in a different position compared to the few jurisdictions that have already passed a \$15 minimum wage. Unlike Seattle or New York City, we are not a "destination city" that draws great numbers of business travelers or tourists that will be able to afford higher costs for short-term visits. Our residents will essentially shoulder the bulk of the cost. Also, in California the \$15 minimum wage does not go effect until 2022, and there is an additional one-year phase-in for small businesses with less than 26 employees. For this reason and others, we must act in a more measured way based on the best information available and the potential unintended negative impacts to Montgomery County.

While some experts may disagree, I believe in an expeditious and timely study of relevant issues on the fiscal and economic impact of an increase in the minimum wage on Montgomery County, I maintain that a study will better inform the Council on the direct and indirect impacts on private employers' bottom line as well as the impact on County government. As you know, there are very few jurisdictions that provide the array of health and human services to help vulnerable populations at the same level that Montgomery County does. For example, all things remaining equal, if the Council continues the policy of providing financial support to our non-profit partners for imposed legislated wage adjustments, when the minimum wage reaches \$15, there will be a significant financial impact to the County. The County's budget for Developmental Disability providers alone would be \$21.1 million over the current FY17 base of \$13.8 million. Based on our current budget projections, this would be a very difficult amount to absorb, and this does not address the challenge faced by all of our non-profit partners.

Another example of the financial impact of the increase in the minimum wage comes from our Medicaid providers. I will send to you separately a letter and data I received a few days ago. In sum, they estimate that the move to \$15/hour will result in an approximate 5.5% increase in the cost of operations each year. Unlike some businesses, Medicaid providers

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cannot legally pass these increases on to the consumer and will be unable to absorb the significant increased costs.

It is my view that a study addressing these issues can be accomplished in a relatively short time. I propose that it be completed by no later than July of this year. This study would give the Council ample time to propose and enact a new bill long before the first new increment under Bill 12-16 would have taken effect.

In my November 22, 2016 memorandum, I urged the Council to consider a longer timeframe for raising the County minimum wage, noting that California would not reach \$15 until 2022. While the Council provided an extension to 2022 for small employers (25 or fewer employees), the bill retained 2020 as the date for the County minimum to reach \$15/hour for all other employees. I think that is too fast and believe we should not reach \$15/hour for all employees until 2022. In addition, small employers will be hit particularly hard, and thus should be exempted entirely from the increased minimum wage requirement.

In summary, for me to fully agree with a bill, it should:

- Be based on an expeditious study on the direct and indirect financial impacts on private employers, non-profits and County government;
- Include an exemption for small business, the definition of which can be informed by the study;
- Include an exemption for youth workers; and,
- Provide for reaching \$15/hour in 2022

It is clear that there is broad support in the community and on the Council for an increase in the minimum wage to \$15/hour. The real questions are how quickly we get there and what exemptions should be made. By adopting a revised bill that addresses these issues, I believe we can work toward a broader consensus and a better outcome for Montgomery County residents and businesses.