Council Bill 17-0018

BY adding
Article 11 - Labor and Employment
Section(s) 1-4, 1-5, 2-7 to 2-9, 3-2A, and 3-2B
Baltimore City Code
(Edition 2000)

BY repealing
Article 11 - Labor and Employment
Section(s) 5-6
Baltimore City Code
(Edition 2000)

SECTION 1. BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF BALTIMORE, That the Laws of Baltimore City read as follows:

Baltimore City Code

Article 11. Labor and Employment

Division 1. Minimum Wage law

Subtitle 1. Definitions; General Provisions

§ 1-1. Definitions.

(a) *In general.*

The terms hereinafter set forth, wherever used in this Division I, are defined as follows.

(b) *Employ.*

"Employ" means to permit to work.

(c) *Employer.*

(1) "Employer" means any person, individual, partnership, association, corporation, business trust, or any other organized group or successor of an individual, partnership, association, corporation, OR trust of persons employing [2] 1 or more [persons] EMPLOYEES in the City of Baltimore.

(2) "Employer" [shall] DOES not include the United States, any State, or any political subdivision thereof, EXCEPT FOR THE CITY OF BALTIMORE.

(3) "EMPLOYER" INCLUDES THE CITY OF BALTIMORE.

(d) *Employee.*

(1) "Employee" means any person [permitted or instructed to work or be present by an employer] WHO WORKS FOR AN EMPLOYER, OR IS EXPECTED TO WORK FOR AN

CITY OF BALTIMORE
COUNCIL BILL 17-0018
(First Reader)

Introduced by: Councilmember Clarke, President Young, Councilmembers Dorsey, Scott, Burnett, Middleton, Cohen, Sneed, Reisinger, Henry
Introduced and read first time: February 6, 2017
Assigned to: Labor Committee

REFERRED TO THE FOLLOWING AGENCIES: City Solicitor, Department of Human Resources, Wage Commission, Baltimore Development Corporation, Mayor's Office of Employment Development, Department of Finance

A BILL ENTITLED

AN ORDINANCE concerning

Labor and Employment – City Minimum Wage

FOR the purpose of setting Baltimore City's minimum wage rate for the years 2019 through 2023; setting the formula to determine Baltimore City's minimum wage rate from 2023 onward; repealing certain exceptions; creating certain exceptions; defining certain terms; setting the terms and qualifications for Wage Commission members; requiring the production and posting of multilingual posters summarizing Baltimore City's minimum wage laws; setting Baltimore City's tipped minimum wage rate; setting Baltimore City's small employer minimum wage through 2026; limiting the withholdings employers may make from employee wages; allowing any person to make a complaint to the Wage Commission; changing the Wage Commission's procedures for responding to complaints; repealing the prohibition of bad faith employee complaints to the Wage Commission; establishing certain penalties; clarifying and conforming related provisions; and generally relating to the minimum wage to be paid to employees in Baltimore City.

BY repealing and reordaining, with amendments
Article 11 - Labor and Employment
Section(s) 1-1, 1-2, 2-2, 2-5, 2-6, 3-1, 3-2, 3-4 to 3-6, 3-8, 4-1 to 4-3, 4-5 to 4-10, 5-1, 5-2, and 6-2
Baltimore City Code
(Edition 2000)

BY repealing and reordaining, without amendments
Article 11 - Labor and Employment
Section(s) 1-3
Baltimore City Code
(Edition 2000)

EXPLANATION: CAPITALS indicate matter added to existing law.
[Brackets] indicate matter deleted from existing law.

The proposed minimum wage increase is also likely to impede the City's workforce planning strategies. Although an increase to the minimum wage will attract more people to join the City's workforce, the higher minimum wage associated with entry level positions will require the City to provide more competitive wages to attract/retain higher skilled employees; or alternatively, replace higher skilled employees with lower skilled employees. Essentially, if the City is unable to provide wages that more closely align with higher level skillsets those employees will leave the City's employ for more competitive salaries. Resultantly, the City's workforce composition will include lower-skilled employees, which is likely to affect constituent service delivery.

An increase in the minimum wage will have far-reaching effects, considerably more than simply increasing the wages of the City's least paid employees.

Of the City's current 13,529 employees,[1] 2,221 employees earn less than $15 per hour. The job classifications of those positions earning $15 per hour and less include, Community Aide, Crossing Guard, Library Assistant, Lifeguard, Recreation Instructor, Seasonal Maintenance Aide and Swimming Pool Operator. These positions are entry level and typically do not require prior work experience and have minimal education requirements. Notwithstanding the entry-level nature of these positions, the profile of the City's minimum wage earner varies to include students, retirees and mid-level employees. Given the City's current workforce and financial state, there are several probable unintended consequences of raising the minimum wage at the rate suggested by the Bill.

Wage Compression

Despite good intentions, the increases proposed in the Bill will have an effect on employees who are currently paid below the minimum, as well as on employees who are paid at or near the minimum. Wage compression occurs when the lower-paid (typically, less skilled) employees' wages rise and the wages of existing (or more experienced) employees do not. The result is lesser skilled employees being paid as much, or nearly as much, as more skilled employees, thus, creating wage compression. Wage compression can assist in creating employee morale issues and can effect employee perceptions regarding pay fairness. When it comes to perceptions of pay fairness, employees judge their relative worth to the organization based on the required competencies (e.g. knowledge, skills, and abilities) to accomplish their job responsibilities in comparison to other positions across the organization. If employees are already earning at or near $15 per hour and believe their position and skillset warrants more than the minimum wage they will expect that their pay be increased proportionally above those occupying lower job classifications. Essentially, raising the minimum wage will have a ripple effect on the wages of supervisory and other employees who earn above minimum wage. However, it is highly unlikely that the City's budget can provide and sustain the increases necessary to avoid the wage compression that raising the minimum wage will cause. The highly probable result of wage compression is a decrease in employee productivity and engagement, increased complaints and grievances, and thoughts and feelings of being undervalued and depreciated all of which negatively impact employee morale.

Reduced Opportunities for Current and Future Employees

The City will be forced to make tough decisions to fund the increases proposed by the bill. In times of fiscal restraint, benefits offered to employees, like funding for training and professional development are likely to decrease. Similarly, funding for technological advances that can assist in employee efficiency are likely to be delayed or reduced. It is also not unreasonable to assume that positions deemed as non-essential may be eliminated, and tasks will be reassigned to more highly skilled and/or senior employees. Effectively, the City's workforce will be responsible for providing the same levels of service with fewer human capital resources; and such a practice is linked to diminished morale, increased stress and work errors.

[1] As of February 17, 2017.

Mary H. Talley

FROM	
NAME & TITLE	Mary H. Talley, Director & Chief Human Capital Officer
AGENCY NAME & ADDRESS	Department of Human Resources 201 E. Baltimore Street, Baltimore, Maryland 21202
SUBJECT	City of Baltimore Council Bill, 17-0018 Labor and Employment- City Minimum Wage

CITY of BALTIMORE

MEMO

CITY OF BALTIMORE 1797

TO The Honorable Bernard "Jack" Young
and Members of the Baltimore City Council
City Hall
100 N. Holliday Street, Room 409
Baltimore, Maryland 21202

DATE: February 24, 2017

Dear Council President Young and Members of the City Council:

Recommended Position

The Department of Human Resources ("DHR") reviewed the above captioned City Council Bill 17-0018 ("Bill") and supports in concept, the Council's desire to raise the wages of the City's least paid employees. However, additional analysis is required to gather a more complete understanding of the impact on the City of raising the minimum wage. Such large increases, over a relatively short period of time will significantly increase the City's budget deficit, as well as affect thousands of Baltimore City government employees who are currently paid at, near or above the minimum wage because salary scales will need to be elevated to ensure appropriate pay differentials amongst the established position classifications and associated pay grades. Accordingly, DHR takes **no position** on the Bill. The comments below highlight some probable unintended consequences of the Bill.

Comments and Analysis

Both nationally and locally, there is much ongoing debate regarding the feasibility of raising the wages of the lowest-paid employees. The Bill proposes the minimum wage for City employees be increased to $15 per hour by 2022. Currently, the City's minimum wage mirrors Maryland State minimum wage of $8.25 per hour. The increases proposed by the Bill are listed in the chart below.

Date	Minimum Wage
Until 7/1/2019	A rate not less than the higher of MD or Federal Minimum Wage
7/1/2019	$11.25
7/1/2020	$12.50
7/1/2021	$13.75
7/1/2022	$15.00

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PRESIDENT'S OFFICE

No position

28-1418-5017

1400-10-53

FROM			CITY OF BALTIMORE
	Name & Title	Jill P. Carter, Director	**MEMO**
	Agency Name & Address	Office of Civil Rights & Wage Enforcement 7 E. Redwood Street, 9th Floor	
	Subject	Re: Labor and Employment - City Minimum Wage City Council Bill No.: 17-0018	

To: Dear President and Members of the Baltimore City Council **Date:** February 24, 2017

The Baltimore City Office of Civil Rights and Wage Enforcement (OCRWE) appreciates the opportunity to weigh in on the above referenced bill and how its passage might impact on wage enforcement.

The Wage Commission enforces prevailing and living wage laws paid on contracts within the city of Baltimore. Enforcement includes manual review of certified payrolls followed by investigation for misclassification and overtime if a discrepancy is determined. In addition to review of certified payrolls, the Wage Commission also investigates complaints from individuals that believe they are paid unfair wages.

The Wage Commission does not currently enforce the minimum wage law. The enforcement agency for minimum wage compliance is the Maryland Department of Labor, Licensing, and Regulation (DLLR). If the above referenced bill were passed, enforcement of the minimum wage law would return to the OCRWE. This would cause a substantial increase in the number of investigations and thus require a substantial increase in the number of wage compliance officers (investigators).

Since DLLR currently handles all minimum wage cases that arise in Baltimore City, OCRWE refers all complaints to DLLR. At present, this is approximately twenty (20) complaints each month. OCRWE staff for the Wage Commission consists of four (4) full and part-time employees: one full-time Compliance Officer II; one full-time Compliance Officer I; one part-time contractual file clerk, and one administrative coordinator that does not conduct investigations. The current cases load warrants at least two (2) additional full-time compliance officers in order to ensure contractor compliance with living wage and prevailing wage laws.

Therefore, the minimum wage increase would warrant no less than 4-5 additional compliance officers to monitor wage compliance and conduct investigations.

We look forward to continued discussions on the Baltimore City Minimum Wage Law and how our office might assist with its enforcement.

comments

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FROM		
NAME & TITLE	Jason Perkins-Cohen, Director	
AGENCY NAME & ADDRESS	Mayor's Office of Employment Development 417 E. Fayette Street, Suite 468	
SUBJECT	**City Council Bill 17-0018 – Labor and Employment – City Minimum Wage**	

CITY of BALTIMORE

MEMO

TO

The Honorable President and Members of the City Council

DATE: February 24, 2017

Council Bill 17-0018 proposes to set Baltimore City's minimum wage rate from years 2019 – 2023 and onward, sets the terms and qualifications for Wage Commission members, establishes a system to ensure tipped employees receive a minimum wage, creates a requirement for multilingual posters and defines methods of filing complaints with, investigations by, and restitutions from the Wage Commission. Its intent is to raise the wages of city residents to a level that better meets the standard of living costs for Baltimore, while ensuring future wages track with adjustments in the Consumer Price Index.

The Mayor's Office of Employment Development (MOED) takes no position on City Council Bill 17-0018. The agency recognizes that it is imperative that Baltimore City residents are able to earn wages that can allow them to provide for themselves and their families. We work actively to provide city residents quality employment and training opportunities that will allow them to earn wages comparable or greater than the wage rates described in this bill, because we understand the cost of housing, food, medical care, transportation, and other needs have grown much quicker than wages have over the past several decades.

We believe in the merits of this bill, to increase city residents' standard of living, provide a means of grievance for those who have been underpaid, and support Baltimore's economy. We also appreciate that this bill exempts participants in City-sponsored youth jobs programs (including YouthWorks and Hire One Youth) but take no position on the specific provisions in City Council Bill 17-0018.

cc: Kyron Banks
James Smith

No position

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PRESIDENT'S OFFICE

experience a 1% reduction in employment levels each year, Income Tax revenues would decrease by $4.1 million annually below baseline by Fiscal 2023.

The table below shows the net effect of both of these scenarios on the City's Income Tax revenue:

Impact ($ millions)	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Wage Increase	$0.0	$0.0	$0.0	$2.8	$4.9	$8.7	$15.7
Reduced Employment	$0.0	$0.0	$0.0	($0.9)	($2.0)	($3.0)	($4.1)
Total	*$0.0*	*$0.0*	*$0.0*	*$1.9*	*$2.9*	*$5.7*	*$11.6*

Conclusion

City Council Bill 17-0018 would have a direct and costly impact on the City's finances. By Fiscal 2023 the legislation would cost the City $44.8 million annually above baseline, for a total of $115.8 million over the next seven years:

Impact ($ millions)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	Total
Part-Time Costs	$0.0	$0.0	$0.0	$0.6	$1.8	$3.2	$4.8	$10.5
Pay Compression Costs	$0.0	$0.0	$0.0	$12.0	$25.3	$38.5	$51.6	$127.4
Income Tax Revenues	$0.0	$0.0	$0.0	($1.9)	($2.9)	($5.7)	($11.6)	($22.1)
Total	$0.0	$0.0	$0.0	$10.7	$24.2	$36.0	$44.8	$115.8

Part-time and temporary worker wages would need to increase to comply with the minimum wage with a direct cost of $4.8 million annually by Fiscal 2023.

In turn, those higher wages would put upward pressure on wages for more highly-skilled full-time employees in AFSCME and CUB. To maintain the current spacing in the salary scales between unskilled, skilled, and supervisory workers would cost an additional $51.6 million annually above baseline in Fiscal 2023. To put that cost in perspective, an additional $51.6 million would require the elimination of 793 full-time positions, which represents 5.6% of the City's workforce.

The City would likely see a net increase in Income Tax revenue due to higher local wages even after accounting for employment losses, but these additional revenues would not come close to offsetting the significant new costs to the City.

For these reasons, the Department of Finance opposes the passage of City Council Bill 17-0018.

cc: Henry Raymond
Angela Gibson

Impact	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Employees Affected	0	0	0	941	1,162	1,363	1,554
Cost Impact ($ millions)	$0.0	$0.0	$0.0	$0.6	$1.8	$3.2	$4.8

Pay Compression: The proposed legislation would not directly affect the City's full-time employees. The City's lowest-paid full-time employees already earn nearly $14 per hour. With 2% wage growth per year these employees would already exceed the $15 minimum wage by Fiscal 2023.

However, the increase in the minimum wage will put upward pressure on overall wages in order to maintain the salary differential between lower-skilled, higher-skilled, and supervisory workers. For example, the legislation would directly raise the wages of Seasonal Maintenance Aides, which in turn would put upward salary pressure on higher-skilled Laborer positions in AFSCME, which would put pressure on Crew Leaders, and then supervisors, and so forth. The same spillover effect would occur in CUB between the lowest-paid Community Aides and progressively higher classifications such as Office Assistants, Office Supervisors, and Administrative Coordinators.

To maintain full salary differential, the City would need to provide wage increases for full-time employees in AFSCME and CUB that matches the rapid growth in the minimum wage.
The following table shows the significant cost impact to the City of providing these wage increases for these two unions:

Impact ($ millions)	FY17	FY18	FY19	FY20	FY21	FY22	FY23
AFSCME	$0.0	$0.0	$0.0	$5.0	$10.3	$15.7	$21.1
CUB	$0.0	$0.0	$0.0	$7.0	$15.0	$22.8	$30.5
Total	***$0.0***	***$0.0***	***$0.0***	***$12.0***	***$25.3***	***$38.5***	***$51.6***

Income Tax: Lastly, we analyzed the potential impact of the legislation on the City's income tax revenues. The City's tax rate is 3.2%, and is budgeted at $317.6 million in Fiscal 2017, which represents 18% of General Fund revenues.

An increase in the minimum wage will increase wages and income which should in turn boost the City's Income Tax revenue. In tax year 2015, 38,500 tax returns were filed by Baltimore City taxpayers with an Adjusted Gross Income of $20,000 or less, which roughly equates to workers making at or slightly above the current minimum wage. Note that in Maryland income tax is paid based on where the taxpayer lives regardless of where the income is earned. Of those 38,500 returns only 23,200 earned their income in the City, and so only these taxpayers would be affected by the legislation. If these taxpayers' income were boosted based on the proposed minimum wage schedule, the City's income tax revenues would increase by $15.7 million above baseline by Fiscal 2023.

Offsetting these gains would be the potential loss of Income Tax revenue due to lower employment levels. A recent survey of hundreds of minimum wage studies indicates that each 10% increase in the minimum wage typically results in a 1-3% reduction in employment levels. In addition, these reductions tend to fall most heavily on lower-skilled jobs and workers. If the City were to

KMCllen, Deputy, for:

FROM	
NAME & TITLE	Andrew Kleine, Chief
AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall (410-396-4941)
SUBJECT	City Council Bill #17-0018 – Minimum Wage

CITY of BALTIMORE

MEMO

CITY OF BALTIMORE 1797

TO

The Honorable President and
Members of the City Council
Room 400, City Hall

DATE: February 27, 2017

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FEB 28 2017
BALTIMORE CITY COUNCIL
PRESIDENT'S OFFICE

Attention: Ms. Natawna Austin

I am herein reporting on City Council bill 17-0018, the purpose of which is to set Baltimore City's minimum wage rate through 2022, set the formula to determine Baltimore City's minimum wage from 2023 onward, and to propose a variety of changes to the Wage Commission's composition, procedures, and enforcement mechanisms.

The proposed bill would set the City's minimum wage equal to the State of Maryland rate until July 1, 2019, and then apply additional increases to $11.25 (FY20), $12.50 (FY21), $13.75 (FY22), and $15.00 (FY23).

Analysis

We see three potential implications for the City's finances:

Part-Time / Temporary Employees: As of October 1, 2016, the City had 2,023 employees on the payroll that were classified as either part-time or temporary employees. Many of these employees, such as Community Aides, Seasonal Maintenance Aides, and Recreation Arts Instructors, currently earn a wage that is either at or slightly above the current State-mandated minimum wage of $8.75 per hour. The proposed legislation sets the City's minimum wage equal to the State minimum wage through Fiscal 2019, but thereafter the City minimum wage would exceed the State by an increasing amount per year. For purposes of this analysis, we assumed that the State minimum wage, which is only set through Fiscal 2019, would grow an additional 2% per year:

Minimum Wage	FY17	FY18	FY19	FY20	FY21	FY22	FY23
State	$8.75	$9.25	$10.10	$10.30	$10.50	$10.71	$10.92
City (proposed)	$8.75	$9.25	$10.10	$11.25	$12.50	$13.75	$15.00
Difference	$0.00	$0.00	$0.00	$0.95	$2.00	$3.04	$4.08

As the City minimum wage increases beyond the State minimum, many of the City's part-time and temporary workers' hourly wages would fall below the new City-mandated minimum wage. Bringing these wages up to the new minimum would have a direct cost impact to the City:

opposed w/ comments

-1418-5017

our City who are struggling to pay for health care. We also note that tipped employees are only required to be paid $2.13/hour, an amount that has not changed since 1991. Tipped work is both overwhelmingly low-wage and disproportionately performed by women (67% of tipped workers nationwide are women[2]). These are women who, as a result of an unfair subminimum wage structure, depend on sometimes inconsistent and unreliable income to provide for their basic needs, including the cost of health care.

Finally, in 2016, Maryland enacted statewide legislation, the Ken Capone Equal Employment Act, that puts an end to the use of subminimum wage for individuals with disabilities by 2020. Without equal protections for individuals with disabilities in this legislation, and by allowing the proposed Wage Commission to issue its own certificates for payment of less than the minimum wage to individuals with disabilities, this bill may in effect re-establish a subminimum wage system in the City for workers with disabilities. Research has shown that individuals with disabilities are more likely to be poor at a rate of nearly two and a half times higher than individuals without disabilities.[3] Individuals with disabilities are also much more likely to experience hardships caused by poverty like not being able to get needed medical care, and much more likely to lack even modest savings that could cushion them from an unexpected expense, like the cost of paying for abortion care. Given these considerations, we strongly urge the Council to consider amending the bill to provide equitable wage increases for individuals under 21, tipped employees and workers with disabilities.

Thank you for considering our testimony.

Annie Hollis
Vice President, Board of Directors
Baltimore Abortion Fund

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[2] Davis, Alyssa & Cooper, David. "The Way We Pay Tipped Workers Disproportionately Harms Women." Economic Policy Institute, March 25, 2015. http://www.epi.org/publication/the-way-we-pay-tipped-workers-disproportionately-harms-women/

[3] Vallas, Rebecca & Fremstad, Shawn. "Disability is a Cause and Consequence of Poverty." Talk Poverty, September 19, 2014. https://talkpoverty.org/2014/09/19/disability-cause-consequence-poverty/

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MAR - 1 2017
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PRESIDENT'S OFFICE

March 1, 2017

Baltimore Abortion Fund
P.O. Box 3053
Baltimore, MD 21229
(413) 297-9893
www.baltimoreabortionfund.org

Dear President Jack Young and Members of the Baltimore City Council,

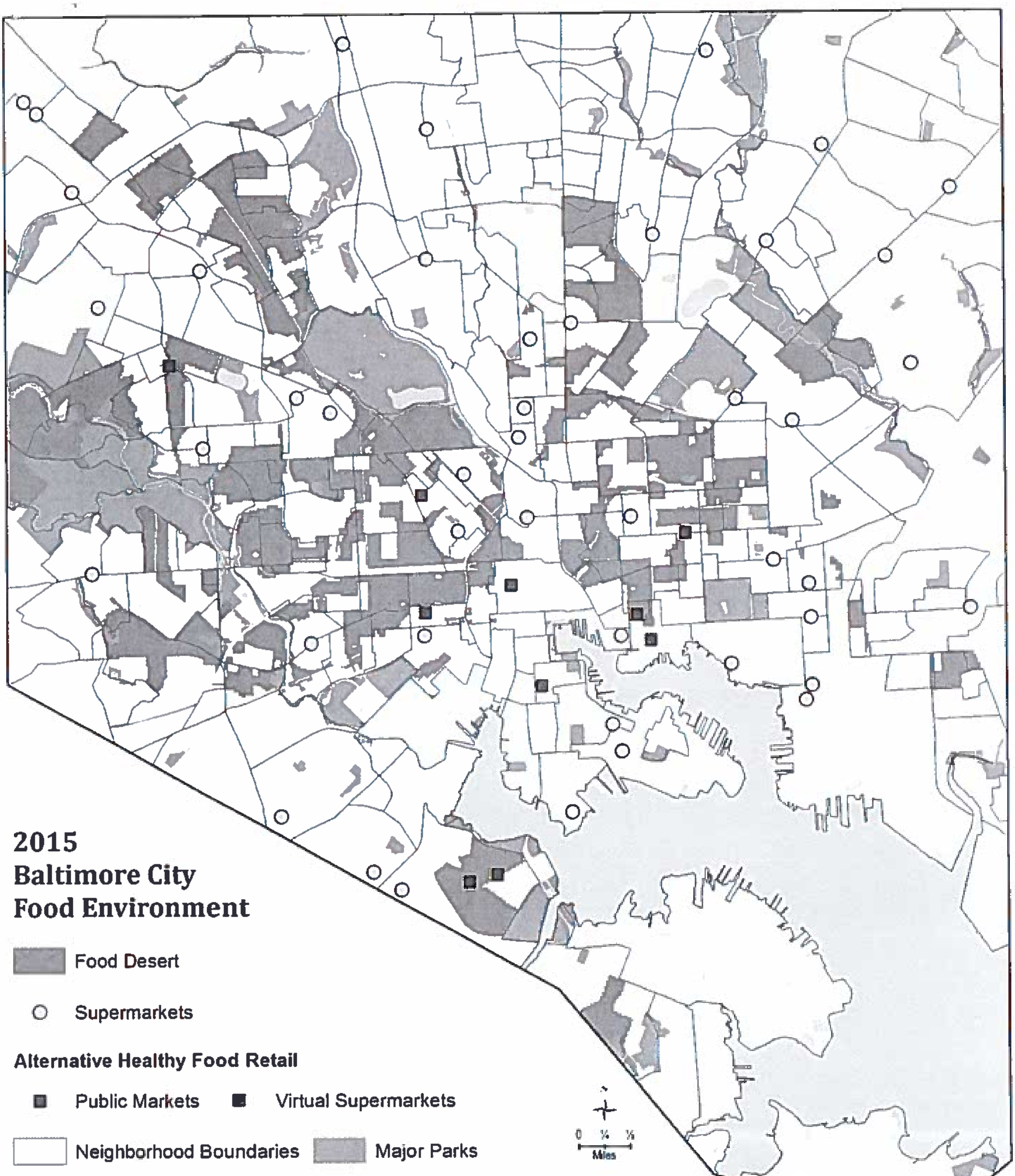
We are writing to express our support for Council Bill 17-0018, which proposes to raise the minimum wage in Baltimore City to $15/hour by July 1, 2023, and after that date, indexes the minimum wage to the Consumer Price Index.

The Baltimore Abortion Fund is an all-volunteer nonprofit organization, founded in Baltimore City in 2013. We operate a confidential helpline for individuals seeking assistance with the cost of their abortion care and make small grants to such individuals. Since our helpline launched on October 1, 2014, we have seen a 103% increase in the number of calls to our helpline. While we generally fund individuals who reside anywhere in Maryland[1], the largest percentage of individuals that we fund reside in Baltimore City.

We know that when individuals are forced to choose between paying rent, buying groceries, caring for their children and paying for the health care that they need, they have to make incredibly hard decisions. Our callers often pay for their care by a patchwork of funding sources including selling personal items, borrowing money from family and friends, and receiving pledges from our fund and other funds who serve individuals living in Maryland. The need for assistance with paying for abortion care is magnified by low-wage jobs that cannot provide for all of a family's needs.

Finally, we urge the Council to amend the bill in order to ensure that workers under 21, tipped employees and individuals with disabilities also receive a fair minimum wage. First, 20% of our callers were under the age of 21, and we know that young women need access to abortion care just like women over the age of 21. Establishing an age-based exception to the raise in the minimum wage unfairly impacts the young women in

[1] We do not currently fund individuals who live in Prince George's or Montgomery Counties.



A Food Desert is an area where: 1) The distance to a supermarket or supermarket alternative is more than ¼ mile, 2) The median household income is at or below 185% of the Federal Poverty Level, 3) Over 30% of households have no vehicle available, and 4) The average Healthy Food Availability Index score for all food stores is low.

JOHNS HOPKINS

BALTIMORE DEVELOPMENT CORPORATION

Baltimore Partnership to
End Childhood Hunger

The Baltimore Partnership to End Childhood Hunger collaboratively engages civic and community groups to end hunger for all children and families in Baltimore City, transforming Baltimore into a city where all children have reliable access to the nutritious food required to thrive throughout their lives.

IN SUPPORT OF CB 17-0018: City Minimum Wage

March 1, 2017

Councilwoman Sneed, and members of the Labor Committee,

The Baltimore Partnership to End Childhood Hunger is in strong support of Council Bill 17-0018. Our work depends heavily upon the resources aimed at increasing food security for our children and their families – including school meals, afterschool and summer meals, and vital programs like SNAP and WIC. However, we recognize that these are only stop-gap measures, and that the real path to greater food security is greater economic security city-wide.

The need is great: one quarter of Baltimore City residents live in food deserts, areas with a disproportionate lack of access to grocery stores and healthy food options. For our children, that number is even higher, with one out of every three children living in food deserts[1]. Nearly one third of City residents receive SNAP, and one quarter of Baltimore City residents earn wages that keep them below the federal poverty line. More than half of all families in Baltimore City are led by single parents with children and utilizing nutritional supplemental benefits. Before implementing free meals at our schools, nearly 85% of our student population took advantage of free and reduced-price meals.

Raising the minimum wage to $15 an hour would raise the prospects of low-wage workers – particularly employees of color. African Americans are nearly twice as likely to live below the federal poverty line than whites, and are more likely to be employed in low wage positions. People of color also reside in food deserts on a disparate basis: 8% of white Baltimoreans live in food deserts, compared to 34% of our African Americans residents. [2] Elevating the minimum wage would enable families to better meet their own economic needs and secure the futures of their children through the reliable purchase of nutritious food. For these reasons, we recognize that this legislation is not just one of economic justice, or one of racial justice, but one of food justice as well.

Lastly, the Baltimore Partnership recognizes the need for all workers, regardless of age, to have access to wages that support their ability to purchase healthy foods for themselves and/or their families. We believe that our working teens and young adults should have equal access to financial security and upward mobility.

The Baltimore Partnership to End Childhood Hunger urges a favorable vote on City Council Bill 17-0018.

Submitted on behalf of The Policy Committee of the Baltimore Partnership to End Childhood Hunger. For more information, contact Melissa Moore, Chair, at mmoore@familyleague.org

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[1] Buczynski, Amanda Behrens, Holly Freishtat, and Sarah Buzogany. *Mapping Baltimore City's Food Environment: 2015 Report.* Baltimore: Johns Hopkins Center for a Liveable Future, 2015. http://mdfoodsystemmap.org/2015-baltimore-city-food-access-map/

[2] Ibid.

employers or employees not covered by Council Bill 17-0018 under the "Definitions" and "Exception(s)" provisions, the Law Department notes that federal labor law, as well as legislation from state and local jurisdictions, includes exceptions to minimum wage laws based on occupation, business size, and age, to name just a few. Courts reviewing such exceptions employ a rational basis test. Under this analysis, courts "must determine whether there is 'any reasonably conceivable state of facts that could provide a rational basis for the classification.'" *RUI One Corp. v. City of Berkeley*, 371 F.3d 1137, 1154 (9th Cir.2004), *cert. denied*, 543 U.S. 1081 (2005), *quoting*, *FCC v. Beach Communications, Inc.*, 508 U.S. 307, 313 (1993).

In other words, the rational-basis inquiry is lenient, the Court need only to determine if there are plausible reasons for the legislative action." *RUI One Corp.*, 371 F.3d at 1154-56. *See, e.g., International Franchise Ass'n, Inc. v. City of Seattle*, 803 F.3d 389, 400-07 (2015), *cert. denied*, 136 S.Ct. 1838 (2016) (in case denying preliminary injunction against enforcement of wage law, classification based on number of employees and business model held not to be discriminatory or violate equal protection; rational relationship existed between franchises and their classification as large employer); *Garcia v. Four Points Sheraton LAX*, 188 Cal.App.4th 364, 383-84 (2010) (legislative classification of hotels with 50 or more guest rooms and located in airport corridor did not violate equal protection); *Visiting Homemaker Service of Hudson County v. Bd. of Chosen Freeholders of County of Hudson*, 380 N.J.Super. 596, 611-12 (App.Div.2005) (county living wage ordinance which directed contractors to provide increased minimum wage to their employees providing food, janitorial, unarmed security guard, and home health care services to county held not to violate equal protection despite claim that it applied only to certain employers); *New Mexicans for Free Enterprise*, 138 N.M. at 804 (local ordinance creating exception for businesses with fewer than 25 employees found not to violate equal protection); *RUI One Corp.*, 371 F.3d at 1154-56 (living wage ordinance targeting only employers of a certain size operating within marina found not to violate equal protection). *See also Branch v. McGeeney*, 123 Md. App. 330, 361 (1998) (claims of discrimination on the basis of age are reviewed under rational basis scrutiny; official action must be rationally related to a legitimate state purpose).

In sum, Council Bill 17-0018 is consistent with the authority of the City Council. Therefore, the Law Department approves it for form and legal sufficiency.

Sincerely,

Jennifer Landis
Assistant Solicitor

cc: David Ralph, Acting City Solicitor
Karen Stokes, Director, Mayor's Office of Government Relations
Kyron Banks, Mayor's Legislative Liaison
Angela C. Gibson, Mayor's Legislative Liaison
Elena DiPietro, Chief Solicitor, General Counsel Division
Hilary Ruley, Chief Solicitor
Victor Tervala, Chief Solicitor

CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor

DEPARTMENT OF LAW

101 City Hall
Baltimore, Maryland 21202

February 16, 2017

The Honorable President and Members
of the Baltimore City Council
Attn: Natawna B. Austin, Executive Secretary
Room 409, City Hall
100 N. Holliday Street
Baltimore, Maryland 21202

Re: City Council Bill 17-0018 – Labor and Employment – City Minimum Wage

Dear Mr. President and City Council Members:

The Law Department has reviewed City Council Bill 17-0018 for form and legal sufficiency. The bill sets Baltimore City's minimum wage rate for the years 2019 through 2023 and sets the formula to determine Baltimore City's minimum wage rate from 2023 onward. It defines certain terms and repeals and creates certain exceptions. In addition, it sets the terms and qualifications for Wage Commission members, and requires the production and posting of multilingual posters summarizing Baltimore City's minimum wage laws. The bill also sets Baltimore City's tipped minimum wage rate and sets Baltimore City's small employer minimum wage through 2026. It also limits the withholdings employers may make from employee wages. Further, the bill allows any person to make a complaint to the Wage Commission, changes the Wage Commission's procedures for responding to complaints, and repeals the prohibition of bad faith employee complaints to the Wage Commission. The bill also establishes certain penalties and clarifies and conforms related provisions.

The Mayor and City Council may "exercise within the limits of Baltimore City all the power commonly known as the Police Power to the same extent as the State has or could exercise that power within the limits of Baltimore City," and may "pass any ordinance, not inconsistent with the provisions of this Charter or the laws of the State, which it may deem proper in the exercise of any of the powers, either express or implied, enumerated in this Charter, as well as any ordinance as it may deem proper in maintaining the peace, good government, health and welfare of Baltimore City." Baltimore City Charter, Article II, §§ 27, 47. The City has the power to establish a minimum wage under its broad police powers. *Mayor and City Council v. Sitnick*, 254 Md. 303, 309-10 (1969). In *Sitnik*, the Court of Appeals found that the State minimum wage law did not preempt local legislation establishing a more generous minimum wage, concluding instead that the State and the City had concurrent authority to legislate within the field. *Id.* at 322.

"Minimum wage regulation is considered social and economic legislation," and courts generally defer to the legislature's judgment in crafting such enactments. *New Mexicans for Free Enterprise v. The City of Santa Fe*, 138 N.M. 785, 803 (2005). With regard to certain

Fav w/ comments

compared to 4% in New York County, 7% in Cook County, 8% in Los Angeles County, and 13% in King County.[4] With surplus labor, lower wages, and slower growth, Baltimore City is simply not comparable to the jurisdictions that are raising their minimum wage. Furthermore, doing so may place the City at a comparative disadvantage in attracting the very jobs that it is seeking to capitalize on, especially given that the minimum wage in all surrounding jurisdictions will be considerably less.

Competitive Pressures – Capital Substitution and Increased Competition

In addition to its potential impact on employment growth, Baltimore City's proposed increase in its minimum wage has two additional troubling implications:

1. It's impact on overall employment as employers substitute capital and automation for higher cost labor. In today's economy, online purchases are replacing "bricks and mortar" stores and automation is replacing workers in repetitive tasks. All studies of the economic impact of minimum wage increases recognize that the gains in employment from the spending attributable to higher wages will be at least partially offset by losses in employment as employers respond by substituting capital and technology for labor. The proposed increase in the City's minimum wage will accelerate this ongoing process, with the impacts likely to fall on the least educated and productive workers who most need employment;
2. Its impact on competition for City jobs. The core intent of Baltimore City's minimum wage increase is presumably to raise living standards for City residents; however, 67% of all jobs in the City are filled by in-commuters, and 53% of City residents are employed outside of the City.[5] It was not possible to analyze the composition of the workforce impacted by the increase in the minimum wage for this testimony, and it is likely that a higher share of impacted workers live in the City; however, raising the minimum wage in the City above state and regional levels is almost certain to lead to increase competition for minimum wage jobs in the City by suburban workers. It is also quite possible that the workers attracted into the City to compete for these jobs face fewer barriers to employment than City resident job-holders.

Summary and Conclusion

Proponents of the minimum wage increase cite that the economics literature is unclear on the impacts of increasing the minimum wage; with most studies finding a modest, negative impact on employment. Yet it is important to point out that according to a 2015 Brookings Institution Op-Ed, raising the minimum wage to $15 per hour is "risky" and could hurt the low income populations they are intended to help.[6] In an Employment Policies Institute survey, most economists surveyed opposed a federal minimum wage of $15 per hour.[7] ***While the goal of the minimum wage increase is clearly laudable, its risks outweigh its potential benefits.*** Raising the minimum wage in the City on its own, has the potential to threaten, or at a minimum slow, recent job gains in the City, creating fewer employment opportunities for City residents. It is likely to speed up the replacement of low skilled workers with technology and automation, with resulting adverse effects on low income workers. Finally, with most City jobs filled by in-commuters; most residents working outside of the City; and suburban workers potentially facing fewer barriers to employment; the proposed minimum wage increase has the potential to increase competition for City jobs by suburban in-commuters, resulting in the benefits from the policy flowing outside of the City. By slowing job creation and increasing competition for existing and future jobs, the policy has the very real risk of hurting, not helping the City workers and economy, and I urge the Council to follow Montgomery County and either reject or postpone for further study this proposal.

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[4] City-level employment data are not available for all cities. JFI Analysis of U.S. Bureau of Labor Statistics data the county in which each City is located.
[5] JFI Analysis of U.S. Bureau of the Census LEHD-ON-the Map Data.
[6] https://www.brookings.edu/opinions/a-15-hour-minimum-wage-could-harm-americas-poorest-workers/.
[7] https://www.epionline.org/studies/survey-of-us-economists-on-a-15-federal-minimum-wage/

The Jacob France Institute
University *of* Baltimore

March 1, 2017
Testimony before the Baltimore City Council on
Raising Baltimore City's Minimum Wage to $15 per Hour

By:

Richard Clinch, PhD
Director of the Jacob France Institute
University of Baltimore

Introduction

My name is Dr. Richard Clinch. I direct the University of Baltimore's Jacob France Institute and have been studying the City, state and regional economy for more than a quarter of a century. I have been asked to come to this hearing and testify on the potential economic implications of Council Bill 17-0018 by the Greater Baltimore Committee. While I have not had the opportunity to study the impacts of a minimum wage increase on the City in detail, based on an initial high level assessment of the economics literature and experience of other jurisdictions, there are significant reasons for concern over the economic implications of this proposal.

Baltimore City is considering raising the minimum wage from $8.75 to $15.00 per hour by July 2022 and indexing it to inflation thereafter. While the City correctly exempts some types of workers, most importantly tipped workers, Youth development program participants, and some other classes of workers that would be adversely impacted by this proposal; economically speaking, the Council Bill is likely to have negative consequences on the City's improving economy and on the low wage City residents it is meant to help.

Currently, 34 localities have minimum wages above their state minimum wage,[1] with cities such as Chicago, New York, and Seattle and even the States of California and New York approving $15.00 per hour minimum wages. While the goal of increasing minimum wages is laudable, in that it ***could*** increase earnings among the poorest workers, reduce income inequality and reduce poverty; it is far more likely to have economic consequences that will mitigate many of its ***perceived benefits***. Chief among these potential negative consequences are:

1. The impact of the minimum wage hike on the City's improving economy;
2. The likely impact of the raised minimum wage on both technological substitution for and intra-regional competition to employment of City residents.

The Impact of the City's Minimum Wage Hike on the City's Improving Economy

After decades of decline, employment in Baltimore City is finally stabilizing and even growing. With two university anchored innovation districts, an expanding downtown and a major corporate headquarters' driven redevelopment effort, Baltimore is finally emerging as a full participant in the urban renaissance that is reshaping cities across the nation. Despite this success, Baltimore has not yet achieved the critical mass where redevelopment is both ***resilient*** and ***self-sustaining***. We are, economically speaking, not comparable to cities such as Chicago, New York or Seattle that have passed $15 an hour minimum wage ordinances. Labor force participation in Baltimore City is 60% compared to 66% in Chicago and Los Angeles, 64% in New York and 74% in Seattle.[2] The average weekly wage in Baltimore is lower than in Cook, New York, and King Counties.[3] Since the trough of the "Great Recession" in 2009, Baltimore City employment has grown by 2%,

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[1] http://www.epi.org/minimum-wage-tracker/.
[2] JFI Analysis of U.S. Bureau of the Census American Community Survey Data.
[3] City-level wage data are not available for all cities. https://www.bls.gov/news.release/pdf/cewqtr.pdf.

We are an 80-year-old family owned and operated business in Baltimore City. Our business employees 76 people, 51 of which are hourly workers. Moving the minimum wage to $15/hour shifts all hourly employees up by the difference between the minimum wage and the current lowest paid hourly worker in the business. Without that shift in wages, we would lose parity between workers who have longer tenure or a higher skill set. That change gets compounded by the benefits and taxes paid which are based on compensation. In our case, this change would cost our firm $445,000 per year.

The minimum wage needs to be based upon total compensation, not just an hourly rate. Our firm has always provided excellent benefits in addition to the wages earned. We subsidize 80% health insurance costs which equals to $2.13/hour, we provide a 401k savings match dollar for dollar up to 8% of salary, two weeks paid time off in the first year of employment, 10 days paid vacation, holiday bonus, uniforms and laundry service, and a host of other items. A $15.00 minimum wage would actually cost us $20.25/hour when all of those benefits and taxes are factored in.

Our options are to move out of the city, automate the entry level positons and eliminate those jobs or reduce benefits to make up for the increase in salaries resulting from a $15 min wage.

Baltimore City already has a real estate tax rate double that of Baltimore county. The latest increase in water and sewer rates & fees will double our costs for water. Adding a $15.00 minimum wage makes Baltimore City the least attractive area in the state to operate a business.

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Please do not pass the legislation before you. It will force Baltimore City businesses to scale back its workforce and / or seek other locations in the surrounding localities and states. This legislation before you will have the effect of increasing unemployment in Baltimore City. Businesses that choose to remain in Baltimore City will be at a seriously competitive disadvantage.

Thank you for your consideration. On the behalf of Mayflower Textile Services Co. and our founder Mr. Mukul Mehta, I invite each of you to visit our plant. We are very proud of our commitment and service to Baltimore City and its residents. If you have any questions or comments, please call me at 410-566-4460 or Kevin O'Keeffe at 410-382-7844.

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March 1, 2017

MEMORANDUM

To: Members of the Baltimore City Council Labor Committee

From: Bhushan Raval, Chief Operating Officer, Mayflower Textile Services Co.
(2601 West Lexington Street)

Re: Testimony in opposition to – Resolution #17-0018 – Labor and Employment – City Minimum Wage

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Good Evening Chairwoman Sneed and Members of the Labor Committee. My name is Bhushan Raval and I am the Chief Operating Officer of Mayflower Textile Services Co. which is located on West Lexington Street and other locations in Baltimore City, and location outside the City. Mayflower provides commercial laundry services to hospitals, hotels, restaurants, and long-term-care facilities in the Mid-Atlantic region. Many of Mayflower's clients are businesses located in Baltimore City.

Mayflower has been operating in Baltimore City for 32 years. For many years, our company also had a location in Harford County; however, Mayflower chose to consolidate its business operations at our location on West Lexington Street. Currently, Mayflower employs more than 125 Baltimore City residents at its West Lexington Street location. Our principals have purchased another building in the southwest portion of the City which will add additional jobs. Many of Mayflower's employees walk or take buses to work each day. Many of Mayflower employees do not have high school degrees. Mayflower is proud that over the years it has provided scholarships to neighborhood residents to attend Coppin and Morgan universities.

For the last few years, Mayflower's operating margins are extremely thin. In fact, the laundry industry has not seen significant margin increases in many decades. Currently, Mayflower plant in Baltimore is only able to achieve a modest profit margin due to regulations in Baltimore City. The proposed 72% increase in labor costs would be unsustainable and cripple the company.

I would also like to point out that Mayflower faces significant illegal dumping problems at our West Lexington Street location. We have worked with the Police Department, Department of Housing and Community Development, and the Department of Public Works to address the many instances of illegal dumping on our property. We have installed cameras and dedicated staff time to try and stop illegal dumping. Nonetheless, even though Mayflower is not at fault, we often get cited by City inspectors. Mayflower aggressively challenges these citations and at times has been successful, but it is costly and time consuming to do so. Last year Mayflower spent over $60,000 in cleaning up trash that was dumped by unknown persons on the streets around our plant. This is an absolute waste of money. We could have used this money to provide additional compensation to our employees.

Unfortunately, the effect of the proposed legislation is making Mayflower reconsider its commitment to Baltimore City. Our company has already acquired space in Delaware which is suitable for our business operations. As noted earlier, our business is based on very small margins and, if enacted, Resolution #17-0018 makes our business in Baltimore City unworkable.

[52] National Restaurant Association, 2016 Restaurant Industry Forecast, http://www.restaurant.org/News-Research/Research/Forecast-2016 (last viewed May 10, 2016).
[53] National Restaurant Association, Restaurant job growth to outpace economy in 2016 (Feb. 10, 2016), http://www.restaurant.org/News-Research/News/Restaurant-job-growth-to-outpace-economy-in-2016.
[54] Michael Lynn & Christopher Boone, Cornell Hospitality Report, Have Minimum Wage Increases Hurt the Restaurant Industry? The Evidence Says No! (2015), *available at* http://scholarship.sha.cornell.edu/cgi/viewcontent.cgi?article=1000&context=chrreports.
[55] Brady Meixell & Ross Eisenbrey, Economic Policy Institute, An Epidemic of Wage Theft Is Costing Workers Hundreds of Millions of Dollars a Year (Sept. 2014), *available at* http://www.epi.org/publication/epidemic-wage-theft-costing-workers-hundreds/.
[56] Annette Bernhardt et al., Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America's Cities (2009), *available at* http://nelp.3cdn.net/e470538bfa5a7e7a46_2um6br7o3.pdf.
[57] *Id.* at 5.
[58] Tia Koonse et al., Enforcing City Minimum Wage Laws in California: Best Practices and City-State Partnerships (Oct. 2015) at 8, *available at* http://laborcenter.berkeley.edu/pdf/2015/minimum-wage-enforcement.pdf.
[59] For a more detailed discussion of the importance of community-based partners, see Diego Rondón Ichikawa and Rebecca Smith, Delivering $15: Community-Centered Wage and Hour Enforcement in Seattle (Oct. 2014) at 12–15, available at http://www.nelp.org/content/uploads/2015/03/Delivering-15-Community-Centered-Wage-and-Hour-Enforcement-Seattle.pdf.
[60] Tia Koonse et al., UCLA Center for Labor Research and Education, Enforcing City Minimum Wage Laws in California: Best Practices and City-State Partnerships (Oct. 2015) at 13, *available at* http://laborcenter.berkeley.edu/pdf/2015/minimum-wage-enforcement.pdf.
[61] *Id.*
[62] National Employment Law Project, Winning Wage Justice: An Advocate's Guide to State and City Policies to Fight Wage Theft (Jan. 2011) at 55, *available at* http://www.nelp.org/content/uploads/2015/03/WinningWageJustice2011.pdf.
[63] *Id.*

[24] Similar, sophisticated new research has also focused in particular on teen workers—a very small segment of the low-wage workforce affected by minimum wage increases, but one that is presumed to be especially vulnerable to displacement because of their lack of job tenure and experience. However, the research has similarly found no evidence that minimum wage increases in the U.S. in recent years have had any adverse effect on teen employment. *See* Sylvia Allegretto et al., Industrial Relations, Do Minimum Wages Reduce Teen Employment? (Apr. 2011) at vol. 50, no. 2. A NELP Summary is available at http://nelp.3cdn.net/eb5df32f3af67ae91b_65m6iv7eb.pdf.
[25] Hristos Doucouliagos & T.D. Stanley, British J. of Indus. Relations, Publication Selection Bias in Minimum-Wage Research? A Meta-Regression Analysis (May 2009) at Vol. 47, Iss. 2.
[26] Paul Wolfson & Dale Belman, Upjohn Inst. for Employ. Res., What Does the Minimum Wage Do? (2014).
[27] Ben Wolcott, Center for Economic & Policy Research, 2014 Job Creation Faster in States that Raised the Minimum Wage (Jun. 2014), *available at* http://www.cepr.net/index.php/blogs/cepr-blog/2014-job-creation-in-states-that-raised-the-minimum-wage.
[28] Michael Reich et al, Univ. of Calif.-Berkeley, The Economic Effects of a Citywide Minimum Wage (2007), *available at* http://www.irle.berkeley.edu/cwed/wp/economicimpacts_07.pdf.
[29] Michael Reich et al. (eds.), Univ. of Calif. Press, "When Mandates Work: Raising Labor Standards at the Local Level," (2014) at 31, *available at* http://irle.berkeley.edu/publications/when-mandates-work/. *See also* Susan Berfield, "San Francisco's Higher Minimum Wage Hasn't Hurt the Economy," Jan. 22, 2014, *BloombergBusiness*, *available at* http://www.businessweek.com/articles/2014-01-22/san-franciscos-higher-minimum-wage-hasnt-hurt-the-economy; Carolyn Lochhead, "S.F. praised as model for U.S. on increasing minimum wage," Jan. 28, 2014, *SF Gate*, *available at* http://www.sfgate.com/politics/article/S-F-praised-as-model-for-U-S-on-increasing-5183378.php.
[30] Bureau of Business and Economic Research, University of New Mexico, Measuring the Employment Impacts of the Living Wage Ordinance in Santa Fe, New Mexico (June 2006), *available at* http://bber.unm.edu/pubs/EmploymentLivingWageAnalysis.pdf.
[31] John Schmitt & David Rosnick, Center for Econ. & Policy Research, The Wage and Employment Impact of Minimum-Wage Laws in Three Cities (Mar. 2011) at 1, *available at* http://www.cepr.net/documents/publications/min-wage-2011-03.pdf. For a helpful overview of this literature on the impact of city minimum wages, see Michael Reich et al, Local Minimum Wage Laws: Impacts on Workers, Families and Businesses: Report prepared for the Seattle Income Inequality Advisory Committee (Mar. 2014) at 17–19, available at http://murray.seattle.gov/wp-content/uploads/2014/03/UC-Berkeley-IIAC-Report-3-20-2014.pdf.
[32] Democratic staff of the U.S. House Committee on Education and the Workforce, The Low-Wage Drag on Our Economy: Wal-Mart's low wages and their effect on taxpayers and economic growth (May 2013), *available at* http://democrats-edworkforce.house.gov/imo/media/doc/WalMartReport-May2013.pdf.
[33] Sylvia Allegretto et al., Fast Food, Poverty Wages: The Public Cost of Low-Wage Jobs in the Fast-Food Industry (Oct. 2013), *available at* http://laborcenter.berkeley.edu/publiccosts/fast_food_poverty_wages.pdf.
[34] National Employment Law Project, Super-sizing Public Costs: How Low Wages at Top Fast-Food Chains Leave Taxpayers Footing the Bill (Oct. 2013), *available at* http://www.nelp.org/content/uploads/2015/03/NELP-Super-Sizing-Public-Costs-Fast-Food-Report.pdf.
[35] National Employment Law Project, Excluding Workers Under Age 21 Baltimore's Minimum Wage Law is Harmful & Unprecedented Policy (Feb. 2017), *available at* http://www.nelp.org/content/uploads/Baltimore-Youth-Exemption-Fact-Sheet.pdf.
[36] *Id.*
[37] *Id.*
[38] *Id.*
[39] *Id.*
[40] *Id.*
[41] *Id.*
[42] *Id.*
[43] U.S. Department of Labor, Wage and Hour Division (WHD), Minimum Wages for Tipped Employees (Jan. 1, 2017), https://www.dol.gov/whd/state/tipped.htm#Maryland (last viewed Feb. 28, 2017).
[44] Bureau of Labor Statistics, May 2015 State Occupational Employment and Wage Estimates, Baltimore-Columbia-Towson MSA, *available at* http://www.bls.gov/oes/current/oes_12580.htm. The May 2015 estimates are based on responses from six semiannual panels collected over a 3-year period: May 2015, November 2014, May 2014, November 2013, May 2013, and November 2012. Bureau of Labor Statistics, Occupational Employment Statistics, Technical Notes for May 2015 OES Estimates, http://www.bls.gov/oes/current/oes_tec.htm (last viewed June 14, 2016).
[45] Sylvia A. Allegretto & David Cooper, Twenty-three Years and Still Waiting for Change: Why It's Time to Give Tipped Workers the Regular Minimum Wage (July 2014), *available at* http://www.epi.org/files/2014/EPI-CWED-BP379.pdf ("[T]he poverty rate of non-tipped workers is 6.5 percent, while it is 12.8 percent for tipped workers in general and 14.9 percent for waiters and bartenders.")(hereinafter "Allegretto & Cooper (2014)").
[46] *Id.* at 3.
[47] David Cooper, Economic Policy Institute, DC Minimum Wage Part 2: Tipped Minimum Wage—Separate, But No Equal (Oct. 31, 2013), *available at* http://www.epi.org/blog/dc-minimum-wage-part-2-tipped-minimum-wage/.
[48] National Economic Council et al., The Impact of Raising the Minimum Wage on Women and the Importance of Ensuring a Robust Tipped Minimum Wage (Mar. 2014) at 7.
[49] National Employment Law Project & Restaurant Opportunities Center-United, The Case for Phasing Out Maine's Subminimum Wage for Tipped Workers (Oct. 2016), *available at* http://nelp.org/content/uploads/Maine-Sub-Minimum-Wage-Report.pdf; Ballotpedia, Maine Minimum Wage Increase, Question 4 (2016), https://ballotpedia.org/Maine_Minimum_Wage_Increase,_Question_4_(2016) (last viewed Feb. 28, 2017).
[50] Sylvia Allegretto & David Cooper, Economic Policy Institute, Twenty-Three Years and Still Waiting for Change: Why It's Time to Give Tipped Workers the Regular Minimum Wage (July 2014), *available at* http://www.epi.org/publication/waiting-for-change-tipped-minimum-wage/.
[51] National Restaurant Association, Restaurant job growth to outpace economy in 2016 (Feb. 2016), *available at* http://www.restaurant.org/News-Research/News/Restaurant-job-growth-to-outpace-economy-in-2016.

Finally, NELP especially supports the amendments that update, simplify, and expedite the complaint process for workers seeking unpaid wages. For example, the bill specifies that the OCRWE must establish a system to receive complaints in writing, online, and by phone, including complaints in English, Spanish, and other languages spoken by significant numbers of City employees. The bill also updates the procedures for appealing the determinations of the OCRWE.

Ultimately, the success of the City of Baltimore's minimum wage will depend significantly on a strong commitment to educate employers and employees, as well as robust enforcement through a local agency like the OCRWE that can gradually adapt to the City's and workers' needs.

Thank you so much for the opportunity to testify today. I would be happy to answer any questions that you may have.

For more information, please contact NELP Staff Attorney Laura Huizar at lhuizar@nelp.org. For more about NELP, visit www.nelp.org or www.raisetheminimumwage.org.

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[1] National Employment Law Project, Occupational Wage Declines Since the Great Recession (Sept. 2015), *available at* http://www.nelp.org/content/uploads/Occupational-Wage-Declines-Since-the-Great-Recession.pdf.
[2] *Id.*
[3] National Employment Law Project, Fight for $15: Four Years, $62 Billion (Dec. 2016), *available at* http://www.nelp.org/content/uploads/Fight-for-15-Four-Years-62-Billion-in-Raises.pdf.
[4] *Id.*
[5] Raise the Minimum Wage, Campaigns, http://raisetheminimumwage.com/ (last viewed Feb. 28, 2017).
[6] *Id.*
[7] *Id.*
[8] National Employment Law Project, 25 States & Localities Approved Minimum Wage Increases in 2016, More Than Any Year Since Fight for $15 Began (Dec. 21, 2016), *available at* http://www.nelp.org/content/uploads/PR-Minimum-Wage-Increases-New-Year-2016-2017.pdf.
[9] *Id.*
[10] Hart Research, Support for a Federal Minimum Wage of $12.50 or above (Jan. 2015), *available at* http://www.nelp.org/content/uploads/2015/03/Minimum-Wage-Poll-Memo-Jan-2015.pdf.
[11] Victoria Research, Results of National Poll of Workers Paid Less than $15 Per Hour (Oct. 2015), *available at* http://www.nelp.org/content/uploads/Low-Wage-Worker-Survey-Memo-October-2015.pdf.
[12] *Id.*
[13] Michael Reich et al. (eds.), University of California Press, When Mandates Work: Raising Labor Standards at the Local Level (2014), *available at* http://irle.berkeley.edu/publications/when-mandates-work/.
[14] Marisa Lagos, "S.F. to put $15 minimum wage on ballot," Jun. 11, 2014, *SFGate*, *available at* http://www.sfgate.com/bayarea/article/S-F-to-put-15-minimum-wage-on-ballot-5542191.php; Ben Rooney, "San Francisco votes in $15 minimum," Nov. 5, 2014, *CNN Money*, *available at* http://money.cnn.com/2014/11/05/news/san-francisco-increased-minimum-wage/.
[15] Arindrajit Dube, Minimum Wages and the Distribution of Family Incomes (Dec. 2013) at 31, *available at* https://dl.dropboxusercontent.com/u/15038936/Dube_MinimumWagesFamilyIncomes.pdf ("I find robust evidence that minimum wages tend to reduce the incidence of poverty, and also proportions with incomes under one-half or three-quarters of the poverty line").
[16] William Copeland et al., Am. Econ. J. Appl. Econ., Parents' Incomes and Children's Outcomes: A Quasi-Experiment (Jan. 2010) at 1.
[17] Rajiv Bhatia, Human Impact Partners, Health Impacts of Raising California's Minimum Wage (May 2014) at 3, *available at* http://healthpolicy.ucla.edu/publications/Documents/PDF/2014/SB935_HealthAnalysis.pdf.
[18] *Id.*
[19] *Id.*
[20] Lisa Dodson et al., Center for Social Policy, Univ. of Mass., Boston, How Youth Are Put at Risk by Parents' Low-Wage Jobs (Fall 2012) at 9–13.
[21] Editorial Board, "Raise the Minimum Wage," Apr. 18, 2012, *BloombergView*, *available at* http://www.bloomberg.com/news/2012-04-16/u-s-minimum-wage-lower-than-in-lbj-era-needs-a-raise.html.
[22] Sandra Black et al., The minimum wage, employment levels and earnings. A view from the US, Dec. 6, 2016, *World Economic Forum*, *available at* https://www.weforum.org/agenda/2016/12/the-minimum-wage-employment-levels-and-earnings-a-view-from-the-us?utm_content=bufferdfb88&utm_medium=social&utm_source=plus.google.com&utm_campaign=buffer.
[23] Arindrajit Dube et al., The Review of Economics and Statistics, Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties (Nov. 2010) at 92(4): 945–964. A summary of the study prepared by NELP is available at http://nelp.3cdn.net/98b449fce61fca7d43_j1m6iizwd.pdf.

Strong Local Enforcement of a City Minimum Wage Law Is Crucial

In order for the City of Baltimore's workers to fully benefit from a higher minimum wage, the City should enforce the law to the fullest extent possible.

Wage theft is widespread across the country and across industries, costing workers and local economies billions of dollars each year.[55] A seminal 2009 study by NELP and other academic partners surveyed over 4,000 workers and found that 26 percent were paid less than the required minimum wage in the previous work week, and nearly two thirds experienced at least one pay-related violation in the previous week, such as failure to pay overtime, not being paid for all hours worked, and stolen tips.[56] The report estimates that workers surveyed lost an average of 15 percent, or $2,634, of their annual wages due to workplace violations.[57]

The City of Baltimore has long recognized the need for local enforcement of its minimum wage, and research shows that local enforcement can be even more effective than state-level enforcement. The City's original minimum wage law in the 1960s established a minimum wage along with a local commission to carry out and enforce that law. That commission is today the OCRWE. Thus, the OCRWE has long had the power and responsibility to enforce the City's minimum wage law. As researchers from the UCLA Labor Center and the Berkeley Center for Labor Research and Education highlighted in a 2015 report, San Francisco "has both the oldest local minimum wage ordinance in the state and the most robust local enforcement agency," and the "record in San Francisco suggests that local enforcement agencies can collect unpaid wages at a higher rate than the state agency."[58]

This bill would update the agency's enforcement powers to reflect many of the best policies that have been developed around the country for effective enforcement of local minimum wage laws.

In particular, NELP supports the amendments in Bill No. 17-0018 designed to encourage the OCRWE to work with community-based organizations to increase its capacity and ensure that the City effectively reaches out to both employers and employees about their minimum wage rights under the City's law. Community-based organizations are crucial partners for enforcement agencies. Their ties to workers in specific industries and sectors, as well as their roots in certain racial or ethnic communities, can assist enforcement through outreach and education; detection and reporting of violations; filing complaints; and identifying high-violation industries and employers for proactive investigations.[59]

Cities enacting minimum wage laws have begun to issue grants to local community groups to enlist their assistance with tasks such as education, outreach, and preparing complaints. San Francisco alone issues $482,000 to immigrant and low-income community organizations for these activities.[60] Los Angeles plans to allocate $700,000 annually to community groups for outreach and education, and Seattle recently awarded contracts to community groups amounting to $1 million.[61]

The bill's amendments geared towards strengthening anti-retaliation protections are also crucial for effective enforcement of the City's minimum wage. Workers need strong protection so they will not be vulnerable to employer harassment and retaliation when they report a violation. This is especially important because enforcement relies heavily on workers coming forward and filing complaints. Retaliation is common—a national survey found that 43 percent of workers who complained to their employer about their wages or working conditions experienced retaliation.[62] The survey also found that 20 percent of workers never made a complaint because they feared retaliation or thought it would not make a difference.[63]

While some in the restaurant industry argue that eliminating the tipped subminimum wage would hurt the restaurant industry and/or restaurant workers, the facts belie those claims. Eight states—California, Nevada, Oregon, Washington, Minnesota, Montana, Alaska, and, most recently, Maine—do not have a subminimum wage for tipped workers.[49] Neither do the cities in California and Washington that have raised their wages to $15 an hour, such as Los Angeles, Seattle, and San Francisco. Tipped workers in these states and cities receive the full minimum wage directly from their employer and their tips function as a gratuity should—not as customers subsidizing wages that an employer should be paying, but as supplemental income over and above their wages in recognition of good service. Between 1995 and 2014, these states (except Maine for which data is not yet available since voters approved a ballot initiative to eliminate the subminimum wage in November 2016) experienced slightly faster employment growth in the hospitality industry (the industry with the highest concentration of tipped workers) than the states where tipped workers are paid a lower minimum wage.[50]

Moreover, the overall restaurant industry is strong. The National Restaurant Association (NRA) estimated that in 2016, restaurant job growth would outpace the overall economy, adding more than 300,000 jobs.[51] Restaurant sales were expected to reach $783 billion in 2016, according to the latest NRA Industry Forecast.[52] The year 2015 marked the sixteenth consecutive year in which the restaurant industry's job growth outpaced the overall U.S. economy.[53] And a 2015 *Cornell Hospitality Report* looked at the impact of minimum wage increases on restaurant employment and business growth levels over twenty years across the United States. It found that raising the regular and tipped minimum wage will raise restaurant industry wages but will not lead to "large or reliable effects on full-service and limited-service restaurant employment."[54]

Ultimately, the evidence above shows that shifting the responsibility to pay workers' wages to customers under the subminimum wage system unnecessarily allows employers in a few select industries to benefit from a customer-funded subsidy at the expense of workers' economic security.

Small Businesses in the City of Baltimore Do Not Need a Slower Phase-in of a $15 Minimum Wage

NELP does not recommend special exemptions or provisions for small businesses. Bill No. 17-0018 subjects businesses with fewer than 50 employees or $400,000 or less in annual gross income to a significantly slower phase-in of a $15 minimum wage. Under the proposed bill, businesses with 50 or more employees will be subject to a gradual increase of the minimum wage until it reaches $15 per hour in 2022. Thereafter, the minimum wage will be indexed to account for cost of living increases. Businesses with fewer than 50 employees will not be subject to a $15 minimum wage until 2026, almost ten years after the bill goes into effect.

As the economic research outlined above shows, one can increase the minimum wage for all businesses at the same time without a negative impact on employment. Moreover, excluding businesses with fewer than 50 employees excludes many large companies that can and should compensate their workers at a wage that allows workers to afford the basics. NELP encourages this Council to reconsider the current special treatment of businesses with fewer than 50 employees and seek to protect more City of Baltimore workers.

negligible.[40]

Although youth employment levels have been falling for decades, this trend is unrelated to the minimum wage and has continued regardless of whether the minimum wage has been flat or increasing.[41] There are multiple reasons for the decline, including the fact that, today, more teens and other young workers are full-time students than in the past, and those seeking work face increasing competition from adult workers over 55, many of whom cannot afford to retire and are turning to low-wage jobs.[42]

Eliminating the Subminimum Wage for Tipped Workers Forms a Crucial Part of any Minimum Wage Legislation That Seeks to Make a Significant Difference in the Lives of Low-Wage Workers

For any minimum wage initiative to make a significant difference in the lives of low-wage workers, it must also eliminate the subminimum wage for tipped workers. The subminimum wage system leads to high rates of poverty and economic insecurity. It is also a system that is difficult to implement and leads to high rates of noncompliance. Although the restaurant industry opposes the elimination of the subminimum tipped wage, the evidence shows that the restaurant industry is strong, including in jurisdictions that have already eliminated the subminimum wage.

In the City of Baltimore, the subminimum wage is currently just $3.63 an hour.[43] The typical tipped worker in the City earns a little more than the state's minimum wage, even once tips are factored in. According to 2015 data from the Bureau of Labor Statistics (BLS), the median wage for tipped restaurant waiters and waitresses—one of the largest shares of tipped workers—was just $9.08 an hour during the 2012-2015 period.[44] This median wage includes both the base wage plus tips.

In addition to low wages, tipped workers face especially difficult economic insecurity. While most of us expect to be paid the same for every day or hour we work, for tipped workers, this is often not the case. Bad weather, a sluggish economy, the changing of the seasons, a less generous customer, an employer that only gives you less-desirable shifts, and a host of other factors can cause sudden drops in tipped income and lead to economic insecurity. Nationally, tipped workers face poverty rates that are about double those for non-tipped workers, and the poverty rate for waiters and bartenders is even higher.[45] Tipped workers across the country are also significantly more likely to rely on public assistance to make ends meet. Close to half (46 percent) of tipped workers and their families rely on public benefits compared with 35.5 percent of non-tipped workers.[46]

When it comes to implementation, employers and employees find it difficult to track tip earnings, a task that is often complicated by tip sharing arrangements amongst workers. Workers also often fear asking an employer to make up the difference between their earnings and the full minimum wage—an employer might choose to give more favorable shifts to workers who do not make such demands. There is evidence of considerable abuse of the system. In its investigations of over 9,000 restaurants from 2010 to 2012, the federal Department of Labor found that roughly 84 percent of investigated restaurants were in violation of the federal Fair Labor Standards Act, including millions of dollars' worth of tipped minimum wage violations.[47] Similarly, a 2014 report by the White House National Economic Council and the U.S. Department of Labor found that one of the most prevalent violations amongst employers is failing to properly track employees' tips and make up the difference between an employee's base pay and the full minimum wage when tips fail to fill that gap.[48]

A 2013 report from the Democratic Staff of the U.S. House Committee on Education and the Workforce estimates that low wages paid at a single Walmart supercenter cost taxpayers between $900,000 and $1.7 million on average per year.[32]

Similarly, a 2013 study from the University of California-Berkeley found that the low wages paid by companies in the fast-food industry cost taxpayers an average of $7 billion per year.[33] A companion study from NELP found that the bulk of these costs stem from the ten largest fast-food chains, which account for an estimated $3.8 billion per year in public costs.[34]

Excluding Workers Under Age 21 from the City of Baltimore's Minimum Wage Law Is Harmful and Unprecedented Policy

The City of Baltimore should enact a strong $15 minimum wage bill that does not discriminate against younger workers. Legislators in the City face pressure to include an exemption of all workers under age 21 in the City's local minimum wage law. No other jurisdiction has adopted such a broad exemption for youth and young adult workers. Adopting such an exemption would be harmful and unprecedented. It would set the City of Baltimore apart for the wrong reasons.

Adopting an arbitrary threshold of 21 years old treats younger workers differently from the rest of the workforce despite the fact that these employees work side-by-side with their older counterparts. The proposed exemption would mainly benefit big businesses that rely on high turnover staffing models. These are largely fast-food and retail chain employers who have disproportionately high rates of employee turnover—as high as 200 percent on an annual basis, according to some measures.[35] And for businesses that do not currently employ a high-turnover model, the proposed exemption would incentivize a shift to high turnover in order to consistently benefit from the work of employees under 21 years of age, a shift that will harm older workers who will be more likely to find themselves without a job.

The proposed exemption ignores the real economic needs and contributions of younger workers. Low-wage young adult workers are likely to come from struggling households who depend on these workers' additional income to make ends meet. Census data shows that the average low-wage worker in Baltimore who would benefit from a $15 minimum wage contributes over half (54.6 percent) of her or his entire family's income.[36] Additionally, in the U.S., nearly 50 percent of students pursuing a 2-year degree, and over 40 percent of students pursuing a 4-year degree work more than 35 hours per week.[37] These workers, and all others, regardless of family income, deserve a higher minimum wage.

Lobbyists for low-wage industries argue that a lower minimum wage for young workers is needed to avoid putting younger workers out of work, but the economic evidence does not support this. Economists from the University of California reviewed the impact of the minimum wage on teen employment in a state-of-the-art, peer reviewed study, "Do Minimum Wages Really Reduce Teen Employment?"[38] The study carefully examined the impact of all U.S. minimum wage increases between 1990 and 2009 on teen workers—including minimum wage increases implemented during times of high unemployment, such as the national recessions of 1990-1991, 2001 and 2007-2009.[39] The study found that the even during downturns in the business cycle and in regions with high unemployment, the impact of minimum wage increases on teen employment is the same:

The Evidence from Cities That Have Adopted Significantly Higher Local Minimum Wages Similarly Shows That They Have Not Cost Jobs and That Implementation Has Proven Manageable for Employers

The experiences of cities with higher local minimum wages—and the most rigorous economic research on the impact of city wage laws—have shown that they have raised wages broadly without slowing job growth or hurting local employers.

The two U.S. cities that have had higher local minimum wages for the longest period are San Francisco, California, and Santa Fe, New Mexico. Both adopted significantly higher local minimum wages in 2003, and the impact of the minimum wages has been the subject of sophisticated economic impact studies. In San Francisco, a 2007 study by University of California researchers gathered employment and hours data from restaurants in San Francisco as well as from surrounding counties that were not covered by the higher minimum wage and found that the higher wage had not led San Francisco employers to reduce either their employment levels or employee hours worked. [28] A follow-up 2014 study examined the combined impact on San Francisco employers of the city's minimum wage ordinance and of other city compensation mandates that cumulatively raised employment costs 80 percent above the level of the federal minimum wage. The study again found no adverse effect on employment levels or hours, and found that food service jobs—the sector most heavily affected—actually grew about 17 percent faster in San Francisco than in surrounding counties during that period.[29]

In Santa Fe, a similar 2006 study conducted after the city raised its minimum wage 65 percent above the state rate compared job growth in Santa Fe with that in Albuquerque (which at that time did not have a higher city minimum wage). It determined that "[o]verall, . . . the living wage had no discernible impact on employment per firm, and that Santa Fe actually did better than Albuquerque in terms of employment changes."[30]

A sophisticated 2011 study of higher minimum wages in San Francisco, Santa Fe, and Washington, D.C., compared employment impacts to control groups in surrounding suburbs and cities. It similarly found that "[t]he results for fast food, food services, retail, and low-wage establishments . . . support the view that citywide minimum wages can raise the earnings of low-wage workers, without a discernible impact on their employment . . . ."[31]

Low Wages Paid By Large Profitable Employers Present a Significant Cost to the Public by Forcing Workers to Rely on Public Assistance in Order to Afford Basic Necessities

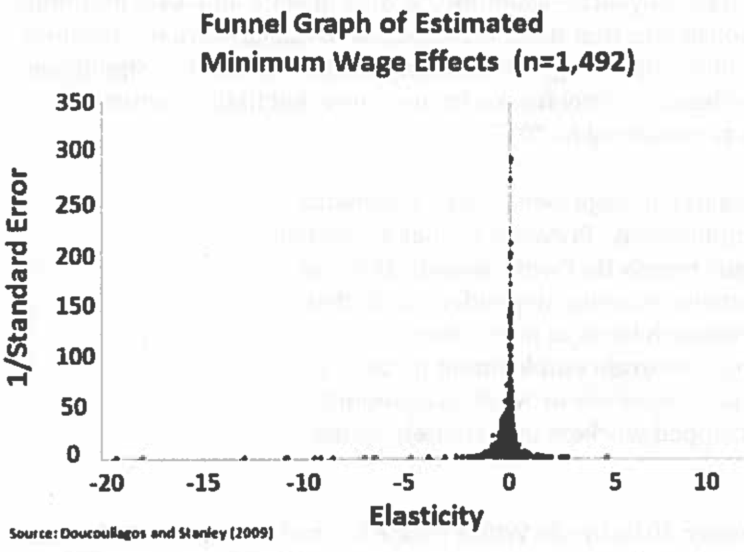
Nationally, nearly three quarters (73 percent) of enrollments in the U.S.'s major public benefits programs are from working families. With wages that leave their earnings below subsistence levels, these workers must rely on additional support from programs like the Supplemental Nutrition Assistance Program (SNAP), Medicaid, Children's Health Insurance Programs, and the Earned Income Tax Credit (EITC) in order to afford basics like food, housing, and health care.

Data available for some of the largest employers in the retail and fast-food industries indicate that the low wages paid by profitable companies like Walmart and McDonald's entail substantial costs for the public, as a whole.

economists, such as Harvard's Lawrence Katz, MIT's David Autor, and MIT's Michael Greenstone. (By contrast, studies often cited by the opponents of raising the minimum wage that compare one state to another—and especially those comparing states in different regions of the U.S.—cannot as effectively isolate the impact of the minimum wage, because different states face different economic conditions, of which varying minimum wage rates is but one.)

Consistent with a long line of similar research, the Dube, Lester, and Reich study found no difference in job growth rates in the data from the 250 pairs of neighboring counties—such as Washington State's Spokane County compared with Idaho's Kootenai County where the minimum wage was substantially lower—and found no evidence that higher minimum wages harmed states' competitiveness by pushing businesses across the state line.[24]

However, it is not simply individual state-of-the-art studies, but the whole body of the most rigorous modern research on the minimum wage that now indicates that higher minimum wages have had little impact on employment levels. This is most clearly demonstrated by several recent "meta-studies" surveying research in the field. For example, a meta-study of 64 studies of the impact of minimum wage increases published in the *British Journal of Industrial Relations* in 2009 shows that the bulk of the studies find close to no impact on employment.[25] This is vividly illustrated by a graph from the meta-study showing the results clustered around zero:



Another recent meta-study by Paul Wolfson and Dale Belman of the minimum wage literature demonstrates similar results.[26]

Further underscoring how minimum wage increases are simply not a major factor affecting job growth, economists at the Center for Economic & Policy Research and Goldman Sachs have noted that the U.S. states that have raised their minimum wages above the minimal federal level are enjoying stronger job growth than those that have not.[27]

The higher pay resulting from minimum wage increases translates to a range of other important improvements in the lives of struggling low-paid workers and their households. For workers with the very lowest incomes, studies show that minimum wage increases lift workers and their families out of poverty.[15] Similarly, higher incomes for low-wage workers and their households translate to improved educational attainment and health. For example, a study by the National Institutes of Health determined that "[a]n additional $4000 per year for the poorest households increases educational attainment by one year at age 21."[16] Another study found that raising California's minimum wage to $13 per hour by 2017 "would significantly benefit health and well-being."[17] It stated that "Californians would experience fewer chronic diseases and disabilities; less hunger, smoking and obesity; and lower rates of depression and bipolar illness."[18] Moreover, "[i]n the long run, raising the minimum wage would prevent the premature deaths of hundreds of lower-income Californians each year."[19] Yet another study found that high dropout rates among low-income children can be linked to parents' low-wage jobs and that youth in low-income families have a greater likelihood of experiencing health problems.[20]

The Most Rigorous Research Shows That Higher Minimum Wages Raise Worker Incomes without Reducing Employment

The most rigorous research over the past 20 years—examining scores of state and local minimum wage increases across the U.S.—demonstrates that these increases have raised workers' incomes *without* reducing employment. This substantial weight of scholarly evidence reflects a significant shift in the views of the economics profession, away from a former view that higher minimum wages cost jobs. As Bloomberg News summarized in 2012:

> [A] wave of new economic research is disproving those arguments about job losses and youth employment. Previous studies tended not to control for regional economic trends that were already affecting employment levels, such as a manufacturing-dependent state that was shedding jobs. The new research looks at micro-level employment patterns for a more accurate employment picture. The studies find minimum-wage increases even provide an economic boost, albeit a small one, as strapped workers immediately spend their raises.[21]

The latest research, released in December 2016 by the White House Council of Economic Advisors, examined states that have raised their minimum wages in recent years in the U.S. and found that they have contributed to substantial wage increases for workers without a negative impact on employment or hours worked.[22]

The most sophisticated of the new wave of minimum wage studies, "Minimum Wage Effects Across State Borders," was published in 2010 by economists at the Universities of California, Massachusetts, and North Carolina in the prestigious *Review of Economics and Statistics*.[23] That study carefully analyzed minimum wage impacts across state borders by comparing employment patterns in more than 250 pairs of neighboring counties in the U.S. that had different minimum wage rates between 1990 and 2006. The study's innovative approach of comparing neighboring counties on either side of a state line is generally recognized as especially effective at isolating the true impact of minimum wage differences, since neighboring counties otherwise tend to have very similar economic conditions. The study has been lauded as state-of-the-art by the nation's top labor

The Growing List of Cities and States Enacting Minimum Wage Increases Reflects a Deepening Wage Crisis and Popular Support for Bold Change

The U.S. economy has seen steady growth and improvement in the unemployment rate in recent years, but wages have been flat or declining for much of the labor force.[1] Averaged across all occupations, real median hourly wages declined by 4 percent from 2009 to 2014, and lower-wage occupations experienced greater declines in their real wages than did higher-wage occupations.[2] The worsening prospects and opportunities for low-wage workers have prompted a record number of cities, counties, and states to enact higher minimum wage rates for their residents.

Since November 2012, about 19 million workers throughout the country have earned wage increases through a combination of states and cities raising their minimum wage rates; executive orders by city, state and federal leaders; and individual companies raising their pay scales.[3] Of those workers, nearly 10 million will receive gradual raises to $15 per hour.[4] More than sixty cities and states have raised their minimum wage since 2012.[5]

As the Fight for $15 movement gathers strength, advocates in a rapidly growing list of localities and states are calling for a $15 minimum wage. Los Angeles, San Francisco, Seattle, SeaTac, Washington, Flagstaff, and Washington, D.C., in addition to a number of other California cities, have already enacted a $15 minimum wage for all workers.[6] New York and California approved a statewide $15 minimum wage in 2016.[7] At least four cities are currently pushing for a $15 minimum, and the list of states considering the same is rapidly expanding.[8] States now considering legislative proposals and/or ballot initiatives that would raise the statewide minimum wage to $15 include New Jersey, Vermont, Massachusetts, Connecticut, Rhode Island, New Hampshire, Ohio, and Pennsylvania.[9]

Polling data shows that approximately two out of three individuals support a $15 minimum wage, and support among low-wage workers is even higher.[10] A poll of low-wage workers commissioned by NELP found that approximately 75 percent of low-wage workers support a $15 minimum wage and a union.[11] It also found that 69 percent of unregistered respondents would register to vote if there were a presidential candidate who supported raising the minimum wage to $15 and making it easier for workers to join a union, and 65 percent of registered voters reported that they are more likely to vote if a candidate supports $15 and a union for all workers.[12]

The trend in localities and states pushing for higher minimum wage rates will likely continue to intensify as wages continue to decline, inequality remains at historically high levels, and the federal government fails to take bold action to ensure that hard-working individuals can make ends meet.

Higher Wages from Minimum Wage Increases Have Very Significant Beneficial Effects for Low-Income Individuals and Households

The higher incomes that result from minimum wage increases have very direct and tangible impacts on the lives of the workers affected and their families. Significant increases in minimum wages have proven an effective strategy for addressing declining wages and opportunity for low-wage workers by raising pay broadly across the bottom of the city economy. For example, over the decade that San Francisco's strong minimum wage has been in effect, it has raised pay by more than $1.2 billion for more than 55,000 workers, and it has permanently raised citywide pay rates for the bottom 10 percent of the labor force.[13] The widely recognized success of San Francisco's minimum wage led Mayor Ed Lee to broker an agreement with business and labor to place an increase to $15 on the November 2014 ballot, which the voters overwhelmingly approved.[14]

consideration at today's hearing, Bill No. 17-0018, includes an unprecedented and harmful total exemption for all workers under twenty-one years of age. NELP cannot support this exemption. It is arbitrary, mainly benefits big businesses with high-turnover staffing models, incentivizes businesses to adopt high-turnover models, and hurts older low-wage workers who may be replaced by younger, cheaper workers. The exemption also ignores the real economic needs and contributions of workers under twenty-one. And while business lobbyists may argue that a lower minimum wage for young workers avoids putting younger workers out of work, the economic evidence shows that this rationale does not hold up under closer scrutiny.

NELP encourages any city or state enacting a minimum wage increase to eliminate the subminimum wage for tipped workers so that they must be paid the full minimum wage from their employer. The typical tipped worker in the City of Baltimore struggles on barely more than the minimum wage and faces significant economic insecurity. The complex subminimum wage system is difficult to enforce and can result in widespread noncompliance. Tipped workers who are forced to rely on tips as their main source of income face wide pay fluctuations as tips vary from season to season, and even from week to week. The restaurant industry is strong in states that do not have a subminimum wage for tipped workers, and it can afford both a $15 minimum wage and the gradual elimination of the subminimum wage for tipped workers in the City of Baltimore.

NELP does not recommend special exemptions or provisions for small businesses. Bill No. 17-0018 subjects businesses with fewer than 50 employees or $400,000 or less in annual gross income to a significantly slower phase-in of a $15 minimum wage. As the economic research outlined in this testimony shows, one can increase the minimum wage for all businesses at the same time without a negative impact on employment. Excluding businesses with fewer than 50 employees excludes many large companies that can and should compensate their workers at a wage that allows workers to afford the basics. NELP encourages this Council to reconsider the current special treatment of businesses with fewer than 50 employees in order to protect more City of Baltimore workers.

Finally, NELP strongly supports the provisions in Bill No. 17-0018 designed to strengthen the enforcement tools of the Baltimore City Office of Civil Rights and Wage Enforcement (OCRWE). The OCRWE has long had the power and responsibility to enforce the City of Baltimore's local minimum wage law, and this bill would update the agency's enforcement powers to reflect many of the best policies that have been developed around the country for effective enforcement of local minimum wage laws. For example, the bill would encourage the OCRWE to partner with community-based organizations in enforcement. Given their close ties to neighborhoods and workers, community-based organizations can help the City better identify violations and help workers come forward with complaints. The bill also includes important, robust protections from retaliation and updates the complaint process to facilitate the efficient resolution of complaints.

Over the past four decades, the typical worker in this country has seen their pay stagnate or decline even as worker productivity rates have gone up and our economy has expanded. The vast majority of income growth has gone towards the top 1 percent. We can counter this trend with policies—including raising the minimum wage—to help ensure that prosperity is broadly shared.

Good afternoon and thank you for the opportunity to testify today. My name is Laura Huizar, and I am a staff attorney at the National Employment Law Project (NELP).

NELP is a non-profit, non-partisan research and advocacy organization specializing in employment policy. We are based in New York with offices across the country, and we partner with federal, state, and local lawmakers on a wide range of workforce issues.

Across the country, our staff are recognized as policy experts in areas such as unemployment insurance, wage and hour enforcement, and, as is relevant for today's hearing, the minimum wage. We have worked with dozens of city councils and state legislatures across the country and with the U.S. Congress on measures to boost pay for low-wage workers. NELP has worked with most of the cities in the United States that have adopted higher city minimum wages in recent years and is familiar with their economic experiences.

NELP testifies today in support of 17-0018, which would increase the City of Baltimore's minimum wage to $15 per hour. The measure will help the City's workers meet basic needs and would follow a growing list of cities and counties across the country that have enacted or are pushing for a $15 minimum wage.

Growing numbers of U.S. states and cities in just the last two years have adopted a minimum wage of $15 per hour. California and New York approved a statewide $15 minimum wage in 2016. SeaTac, Washington, which was the first city to do so, approved a $15 minimum wage in 2013. San Francisco Mayor Ed Lee brokered an agreement between labor and business to place a $15 minimum wage on the November 2014 ballot, which the voters overwhelmingly approved. The Los Angeles city council approved a $15 minimum wage in 2015, along with a number of other California cities. Most recently, the Washington, D.C. City Council approved a $15 minimum wage bill last summer and voters in Flagstaff, Arizona, approved a $15 minimum wage through a ballot initiative in last November's election.

The most rigorous modern research on the impact of raising minimum wages shows that raises increase worker earnings with negligible adverse impact on employment levels. As more and more U.S. cities enact local minimum wages, the research has similarly shown that such local measures have no adverse effect on jobs, and implementation of higher local wages has proven manageable for employers. The benefits for low-wage workers and their families of higher wages have been very significant, raising wages in the face of broader economic trends that have led to stagnant and falling wages across the bottom of our economy, reducing economic hardship, lifting workers out of poverty, and improving other life outcomes.

Low-paying industries are disproportionately fueling job growth today, with more and more adults spending their careers in these positions. Low wages paid by large, profitable employers also present a significant cost to the public by forcing workers to rely on public assistance in order to afford basic necessities. Raising the wage floor, which has badly eroded over the decades even as corporate profits have skyrocketed, is urgently needed to ensure that local economies can rely on workers' spending power to recover and that the growing numbers of workers relying on low wages to make ends meet can contribute fully to this recovery.

For workers and communities to fully reap the benefits of raising the minimum wage, however, local minimum wage laws should provide protection to all low-wage workers. While some cities have opted to exempt certain younger workers for a limited period of time, the bill under

NATIONAL EMPLOYMENT LAW PROJECT

Testimony of Laura Huizar

National Employment Law Project

Increasing the Minimum Wage in the City of Baltimore

Hearing before the Baltimore City Council

March 1, 2017

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Montgomery County recognized the cost they were imposing on DD community agencies and now provides a $13.8 million annual subsidy. Prince George's County tried setting a separate lower rate for DD community agencies. This approach has only hastened the loss of employees and many of those providers are under great stress because of it.

Unless the City of Baltimore follows Montgomery County's example and provides a concurrent subsidy to DD community providers, agencies like the CHIMES will have almost no options to continue to operate. Again, CHIMES cannot set its price and cannot pass costs to our customer without their agreement. The state was clear when Montgomery and Prince George Counties raised their wages that it would not increase the payment. The message was if the County wanted to raise the wage it would need to subsidize the cost, not the state. We have asked the state if their position has changed, and they were unequivocal. If the City raises the wage, the City will needs to fund the difference, or it will not be funded.

If Council Bill17-0018 is enacted without an appropriate subsidy, CHIMES is left with no choice but to remove as many jobs as is feasible from the City. We cannot afford to raise wages according to the proposed schedule. It will cost more than two million dollars ($2,000,000) to do so. Our annual surplus in good years never rises to this level.

In conclusion, the CHIMES is asking the Council to understand all employers are not alike. DD community agencies have a mission to provide citizens an environment where they can achieve to the fullest extent of their capabilities. This mission is so different from the goals of for profit employers that it cannot be reconciled within a "one size fits all" approach to the minimum wage.

For these reason the CHIMES is opposed to City Council Bill 17-0018 and hopes the Council will step back and work with us to craft a policy that does not adversely impact the DD community service agencies.

Maryland. CHIMES operates solely as a contractor to the State of Maryland.

The jobs at CHIMES are not minimum wage jobs. Being a direct caregiver to clients with developmental disabilities requires skill and training. These demanding jobs must be kept above any statutory minimum wage in order for CHIMES to retain its workforce. Currently, the average wage at CHIMES is $12.00 an hour.

The increases proposed in City Council Bill 17-0018 puts the CHIMES in a financial dilemma which cannot be solved with the private sector tools of raising prices or turning to technology to reduce workers and lower labor costs. Since CHIMES is not for profit, there is no option of reducing dividends or lowering profit margins.

As the Baltimore City wage schedule in City Council Bill 17-0018 increases, the State of Maryland **will not** increase its reimbursement rates to compensate for the increases. Currently, the State reimburses at a rate of $10.41 an hour. We get this rate regardless of the actual salary of each worker. Many CHIMES employees are paid more, based on their skills and experience. As the least experienced of our workforce sees increases mandated by Bill 17-0018, CHIMES will be forced to raise the wages of almost our entire workforce to retain workers that have the most skills and training.

This is not an abstract challenge. In 2014, the State of Maryland recognized this problem when they established the current State minimum wage schedule. They simultaneously scheduled an annual 3.5% rate increase for DDA community services over four years to offset the increase in the State minimum wage. This increase was critical to maintaining a DDA reimbursement rate that remained above minimum wage. It has provided stability and financial resources to support adequate direct support staff wages and to allow minimal inflationary increases for other costs.

Prince George's and Montgomery Counties have both raised their minimum wages on schedules that exceed the State schedule. They have taken two different approaches- one fair and one disastrous.

Empowering People,
Enriching Lives

TESTIMONY IN OPPOSITION TO CITY COUNCIL BILL 17-0018
Before the Baltimore City Council Labor Committee
March 1, 2017

Since 1947, CHIMES has been a leading not-for-profit agency in Maryland, serving children, adults, and senior citizens with disabilities. Founded as a school for children with moderate mental retardation, it has grown to benefit over 19,000 people with special needs in Maryland, Virginia, the District of Columbia, Delaware, Pennsylvania, New Jersey, North Carolina, and Israel.

The international headquarters of the CHIMES is located in the City of Baltimore at the Seton Business Park. In addition to our headquarters, we operate the CHIMES School the CHIMES Café and the Intervals Residential Day Program at that location. We also operate 53 other separate residential home locations and two other cafes in South Baltimore and in the Johns Hopkins Hospital complex.

Today the CHIMES is serving over 759 Baltimore residents with Developmental Disabilities ("DD") in its various programs, employing 843 individuals to provide these important services.

It is important to emphasize that CHIMES, like many other not for profit human service agencies, cannot set the prices it charges "customers". The services our clients receive are paid for by the State of increased and the rates stagnated, the wage factor fell to only 25 to 30% above the minimum wage.

So in 2014, our organizations fought hard and were successful in convincing the General Assembly to include a mandated increase in rates to keep the wage factor for direct support staff wages at least 30% above the minimum wage. The mandated funding was cut in FY2015, again in FY2016 and again in the proposed FY2018 state budget. When the mandate is complete in FY19, the wage factor will be at an all-time low at only 16% above the State minimum-wage, at $11.72 an hour. This reimbursement factor is for <u>all</u> support staff regardless of tenure, it is not the starting wage.

Because these are State-funded programs, these meager funding increases have been based exclusively on the State-set minimum wage. In the case of the two other subdivisions, Montgomery and Prince Georges County, which have enacted higher minimum wages, both the State Administration and Legislature have made it clear that those subdivisions are responsible for holding providers harmless in their subdivision, refusing to consider any change in payment rates for locally higher minimum wages. Montgomery County has dedicated its own revenue to do this but Prince Georges County has refused to offer the same relief to its providers creating a dire situation for people with disabilities.

In addition, our organization and a few others have had success in acquiring competitive jobs for the people we train and support in businesses and organizations throughout Baltimore City. The Arc Baltimore has placed 61 people with developmental disabilities in jobs in Baltimore City at what are considered good wages by today's standards ($11 or even $12 an hour). If this bill were to pass, these wage levels would soon fall below the new minimum wage potentially prompting the employers to eliminate these jobs or at very least reduce hours.

In summary, this bill would result in:

- A reduction and possible **complete loss of services** provided to the individuals with developmental disabilities and their families residing or working in Baltimore City
- **Jobs lost** by individuals with developmental disabilities (or at least hours reduced).

We would welcome the opportunity to work with the Baltimore City Council in crafting a strategy aimed at increasing the wages of all workers in Baltimore City without jeopardizing citizens with developmental disabilities and their families.

The Arc. Baltimore

Achieve with us.

Written Testimony in Opposition to Baltimore City Council Bill 17-0018
Labor and Employment – City Minimum Wage

My name is Kathleen McNally Durkin. I am the deputy executive director of The Arc Baltimore and I'm here tonight to speak in opposition to City Council Bill 17-0018.

The Arc Baltimore and about thirty other nonprofit organizations like ours serve the citizens of Baltimore City, providing a variety of community-based services to individuals with intellectual and developmental disabilities and their families. Services provided include employment training and placement, vocational training and day services, residential and family supports. Our organization alone provides such services to about 1400 individuals on a daily basis and annually serves more than 6000 children and adults. Like other organizations, we provide services in both Baltimore City and Baltimore County with the number of people living, working and receiving supports fairly evenly divided between the two subdivisions.

These services are provided by incredibly dedicated and competent direct support professionals. These professionals must complete a rigorous program of state mandated training, often must be certified by the Board of Nursing to administer medication, must successfully pass a criminal background record check and other pre-screenings, must maintain CPR certification as well as stay current with specialized trainings. Their job duties can include assisting with bathing, meal preparation, medication administration even insulin, nebulizers or g-tubes, daily transportation, negotiating medical appointments, meeting with family, assuring health and safety of homes, vehicles, documenting daily reports, finding meaningful employment or activities for the individual and making critical health and safety decisions with a great deal of independence. These jobs are clearly not minimum-wage jobs. In many cases, people's lives are literally in their hands.

As employers, we have little to no say in determining the wages we pay. The services provided are funded by a combination of state and federal funds. The payment rates for these services are set by the State through a system that is not cost-based but rather is based on a historical funding model that is nearly 30 years old.

The funding rates established by the State include a factor for the direct support staff wage. Years ago when the current rate scheme was first created, the wage factor was more than 50 % above the minimum wage at the time. Over the years though, as the State minimum wage essential City services under a Memorandum of Understanding approved by the Board of Estimates in June. This commitment exists in addition to all of the community benefit activities hospitals delivered, as part of their nonprofit, tax exempt status.

Lastly, in response to the civil unrest in 2015, nine City hospitals have developed a job recruitment, training, coaching, and placement program for unemployed and underemployed individuals living in the City's impoverished neighborhoods. Baltimore City has consistently had one of the highest unemployment rates in the state. The creation of 204 new jobs is the type of focused strategy that will improve the employment climate in Baltimore without risking the negative consequences that would isolate Baltimore through a hastily-envisioned wage increase.

Thank you for the opportunity to share our concerns. Please do not hesitate to contact us, if you have any questions.

Sincerely,

Joseph L. Smith
Director, Local Government Affairs
JOHN HOPKINS HOSPITAL

Martha D. Nathanson, Esq.
Vice President, Government Relations and Community Development
LIFEBRIDGE HEALTH

Pegeen A. Townsend
Vice President, Government Affairs
MEDSTAR HEALTH

Donna L. Jacobs, Esq.
Senior Vice President, Government, Regulatory and Community Health
UNIVERSITY OF MARYLAND MEDICAL SYSTEM

JOHNS HOPKINS MEDICINE | LIFEBRIDGE HEALTH | MedStar Health | UNIVERSITY of MARYLAND MEDICAL SYSTEM

February 27, 2017

HAND DELIVERED

Office of the City Council
100 N. Holiday Street
Suite 400
Baltimore, MD 21202

Members, Baltimore City Council:

On behalf of Johns Hopkins Medicine; LifeBridge Health; MedStar Health; and the University of Maryland Medical System -- several of the largest employers in Baltimore City -- we are writing to express our strong concerns with *City Council Bill 17-0018 - Labor and Employment – City Minimum Wage.* The legislation is problematic for the following reasons:

Significant Wage Compression Costs

Current hospital wages and benefits in Baltimore City are competitive and comprehensive. Providing a "living wage" has been our focus over the last several years, while also maintaining health, education, and retirement benefits. As a result, the impact for hospitals associated with the proposed legislation is not on increasing the wages for the lowest-paid full time employee, but rather the upward pressure on overall wages to maintain the salary differential between lower-skilled, higher-skilled, and supervisory workers.

As you know, the legislation is projected to cost the City an additional $60 million annually -- mostly due to the wage compression effect. The impact on hospitals located in Baltimore City is similar -- tens of millions of dollars in additional costs.

Maryland Hospitals Cannot Pass On Additional Costs

Unlike businesses and the government, Maryland hospitals cannot raise prices or taxes to pass on these additional costs. Hospital rates in Maryland are highly regulated by the Health Service Cost Review Commission. The state has entered into a contract with the federal government to keep our health care costs below benchmarks, and hospitals are subject to increased penalties for failure to do so. Adding wage compression costs makes meeting those tests all the more difficult and jeopardizes a system that annually leverages more than $1 billion in additional federal Medicare funding.

Hospitals Support Baltimore City

Baltimore City hospitals and universities recently committed $60 million ($6 million per year for the next 10 years) to the City's operating budget to support public safety and other

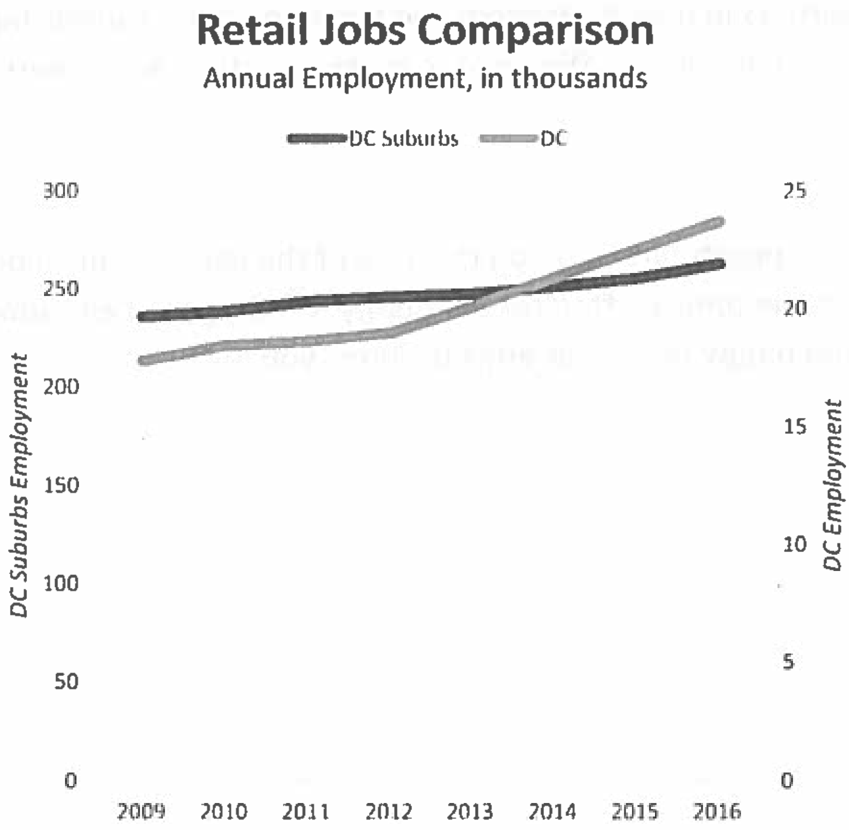
- more -

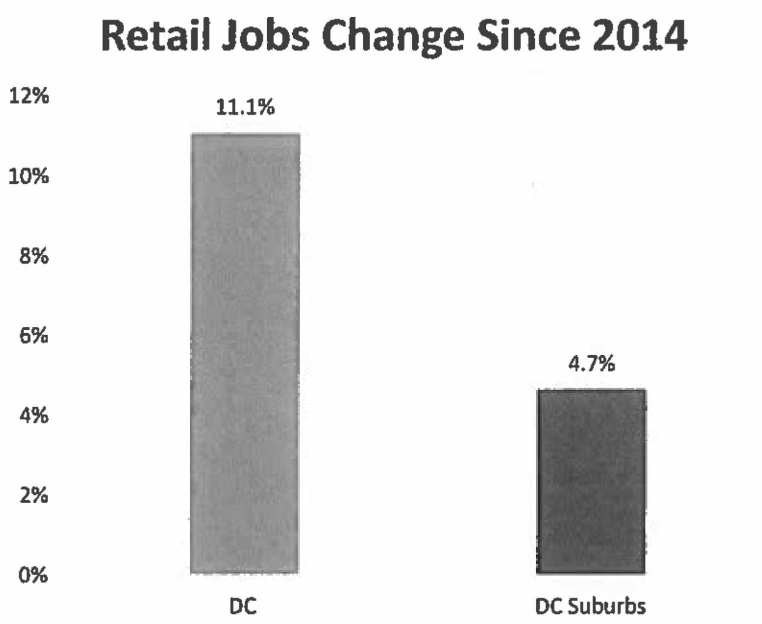
EITC	
Family size	Max income
No children; claimant MUST be at least 25 years of age	$15,010 ($20,600 married filing jointly)
One child	$39,617 ($45,207 married filing jointly)
Two children	$45,007 ($50,597 married filing jointly)
Three or more children	$48,340 ($53,930 married filing jointly)

The value of the earned income credit rises with an increase in an individual's earnings until the credit reaches its maximum value. The value of the credit remains at the maximum value as earnings rise, but eventually earnings reach a phaseout range. From that point, the credit decreases with each additional dollar of earnings until the credit is completely phased out. Max credit $6,269 with three or more qualifying children; $5,572 with two qualifying children; $3,373 with one qualifying child; $506 with no qualifying children. Average MD credit $2,297 see http://www.ncsl.org/research/labor-and-employment/earned-income-tax-credits-for-working-families.aspx Maryland offers a 25.5 percent refundable (rising to 28% over next few years) or a 50 percent non-refundable EITC. Taxpayers can chose to claim either, but not both.

	A	B	C	D	E	F	G	H	I	J
1	PERSONS IN FAMILY/HOUSEHOLD	Federal Poverty Line	Medicaid (138% of FPL)	MD CHIP (for children up to 19, family income to 300% of FPL)	MD SNAP (food stamps) - up to 200% of FPL	Office of Home Energy Programs GROSS INCOME (2016)	Housing Asst. (Extremely Low Income)	Housing Asst. (Very Low)	Housing Asst (Low)	Fair Market Rent Limit
2	1	$12,060	$16,643	$36,180	$24,120	$20,598.00	$18,200	$30,350	$46,000	$903 Efficiency
3	2	$16,240	$22,411	$48,720	$32,480	$27,877.92	$20,800	$34,700	$52,600	$1097; 1 bdrm
4	3	$20,420	$28,179	$61,260	$40,840	$35,157.96	$23,400	$39,050	$59,150	$1376; 2 bdrm
5	4	$24,600	$33,948	$73,800	$49,200	$42,438.00	$26,000	$43,350	$65,700	$1769; 3 bdrm
6	SOURCE:				http://dhr.maryland.gov/documents/SNAP/Income%20Guidelines%202016.pdf Max monthly benefit for family of 4 w/ NO income is $649. $8.75/hr to $15 would be $1000/month at 40hrs/week FAR above max food stamp benefit.	http://dhr.maryland.gov/documents/SNAP/Income%20Guidelines%202016.pdf	https://www.huduser.gov/portal/datasets/il/il2016/2016summary.odn and https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2017_code/2017summary.odn The maximum housing assistance is generally the lesser of the payment standard minus 30% of the family's monthly adjusted income or the gross rent for the unit minus 30% of monthly adjusted income. 75% of assistance targeted to families who earn thirty (30%) or less of the Area Median Income.			
7	**$15 FT/52 Wks/YR**	**$31,200**	NOTE: People receiving Temporary Cash Assistance (TCA) and/or Supplemental Social Security Income (SSI) automatically qualify for Food Stamps. Must have less than $2000 in assets, not including residence, car, college savings, retirement accounts. You can deduct 20% of earned incomes, all costs of dependent care needed for work, education, or employment training; child support you are legally obligated to pay to someone outside the household; shelter and utility expenses; Medical expenses greater than $35 per month (for individuals who are disabled or age 60 or older).							
8	**$8.75 FT/52 Wks/YR**	**$18,200**								
9										
10										

EFFECT OF DC MINIMUM WAGE INCREASE ON RETAIL JOBS





Source: U.S. Bureau of Labor Statistics, State and Metro Area Employment, Hours, and Earnings; DC Suburbs includes the surrounding MSA, with the DC employment subtracted.

larger employers a competitive advantage. As well, I am concerned about paying youth up to 21 years of age lower than the minimum wage. Under federal law there is a youth or training wage, but some of our young people aged 18 to 21 are the primary earners in their household and some might be supporting others including children or parents. We want to make sure they have every incentive to work.

Having the rare opportunity to be on this side of the dais, I want to be respectful and not exceed the time allotted for testimony. Once again, I am honored to testify, and I am happy to answer any questions you might have.

the suburbs, that it would decrease hiring for low-wage workers, particularly in sectors like retail.

I am here to tell you: The sky did not fall. In fact, our economy continues to experience very healthy growth, including in retail. I've included as part of my testimony data on D.C. retail jobs since 2014, when our wage began the three step increase from $8.25 to $11.50. As you can see, the number of retail jobs has grown and grown at a pace that far exceeds our neighbors. To be fair, the increase to $11.50 includes our Maryland neighbors of Montgomery and Prince George's County, but it also includes Arlington, Alexandria and Fairfax in Virginia, where the wage remains $7.25 an hour.

I will also offer another piece of evidence from our quarterly revenue estimate, which was released by our city's Chief Financial Officer yesterday. It was an extremely rosy forecast, which saw an uptick in revenue even beyond prior projections, including in sectors that might be impacted by our minimum wage: "The District's overall sales tax revenue performance has been boosted by strong growth in the hospitality sector (hotels and restaurants)." As well, the report noted a two percent uptick in wage and salary jobs over the prior year.

In fact, lobbyists for the business community have so often argued that the sky was going to fall when we banned smoking, passed paid sick days, and raised the minimum wage—and we kept seeing our economy grow—that it is now known in our City Hall as the Chicken Little argument. It doesn't fly. Actually, I come to the exact opposite conclusion with data to back it up: That when we help working families through increased wages and benefits, our economy does better.

In my remaining time, let me just make a few comments. I am concerned about the slower time line for small businesses to get to $15, because it creates an uneven playing field. More productive workers will want to work for larger employers who pay more, which might have an unintended consequence of giving

OFFICE OF AT-LARGE COUNCILMEMBER ELISSA SILVERMAN
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TESTIMONY OF AT-LARGE COUNCILMEMBER ELISSA SILVERMAN,
COUNCIL OF THE DISTRICT OF COLUMBIA,
ON BILL 17-0018, UNDER CONSIDERATION BY THE BALTIMORE CITY COUNCIL,
MARCH 1, 2017

Good evening, councilmembers. I am Elissa Silverman, and I serve the more than 670,000 residents of the District of Columbia as an at-large member of the D.C. Council, our combined city council and state legislature. More importantly, I come to you tonight as a proud graduate of Mount Washington Elementary School, the then-Fallstaff Middle School (which I understand it is now K through 8), and Western Senior High School, Class of 1990. My mom and dad still live in Baltimore and have owned their home near Charles Street and Northern Parkway since 1979.

It is truly an honor and a pleasure to offer testimony on Bill 17-0018, as a child of Baltimore and someone who still cares very much about the city and working families in our entire region.

Many other witnesses have spoken about the benefits of raising the wage to $15 an hour, and I found the finding of facts in the bill quite accurate. Therefore, I'd like to focus on my time on some of the arguments against raising the wage. As you might know, the District of Columbia passed a bill last year that will raise our minimum wage to $15 by 2020. Currently, our minimum wage is $11.50. The bill will also raise what is known as the tipped minimum wage to $5.00 by 2020 from the current wage of $2.77.

Councilmembers, many of the arguments you have heard tonight I heard when the D.C. Council passed a bill in 2012 raising the wage from $8.25 an hour to $11.50 by 2016, and then when we passed the bill last year raising it to $15 by 2020. I heard that this would have catastrophic economic consequences for our city, that it would have a chilling effect on businesses and send them headed to

Danko Arlington, Inc.
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SPECIALISTS IN
PATTERNMAKING
NONFERROUS CASTINGS
MACHINING
MANUFACTURING

Good Evening. My name is John Danko. I am the current co-chair of the Baltimore Workforce Development Board under MOED. Last year, I just finished serving a three-year term on the Maryland Correctional Education Council under Governors O'Malley and Hogan. I am here this evening, however, as the third-generation President of Danko Arlington. My business is ninety-seven years old and employs seventy-five people. We make custom aluminum components on East Wabash Avenue. We compete nationally with other companies located in other states like Pennsylvania, Ohio, and Texas as the low bidder for military spare parts for our Warfighters. Plain and simple: we cannot afford to start unskilled workers at journeymen's wages and continue to stay in-business in Baltimore City.

We currently start at $11/hr. and teach niche skills to our employees. Most of our workers make over $15/hour. Over one third of our employees are ex-offenders. We also hire immigrants and refugees. We receive no-benefit from any program, other that it's 'the-right-thing-to-do.' In many ways, our company is a "poster child" for Baltimore City. Mayor Pugh is seeking more companies like ours to step up an offer second chances. Recently, she has spoken to seek more investment in our Pimlico-Park Heights Community.

Training unskilled applicants, however, comes at great price because most of our low skilled people have a difficult time learning or holding on to a job. By gradually raising the minimum wage to $15/hr., the city council is effectively incentivizing Baltimore employers not to take the risks to hire second chance citizens.

The Labor Committee has recognized the need for training by amending the bill's discount for 18-20-year-olds. However, there are tens of thousands of 28-30, 38-40, 48-50, and even 58-60-year-olds without skills. There is nothing in this bill, other than interns, that addresses skills, training, advancement, or even apprenticeships. So, employers will get nothing in return for the phased in higher wages, higher payroll taxes, higher workman's compensation, and soon-to-be higher city taxes and water bills. As a result, businesses will simply re-hire more skilled and efficient people, downsize, close, or go elsewhere.

This bill is doomed to backfire – hurting those whom this was intended to help. This is not even taking in to consideration that there will be triple the number of county residents applying for city jobs, thereby reducing the chances of hiring our re-entry workforce even further. Even small companies, like ours, are already making contingency plans to automate and to replace low skilled people. This truly sad for all our city employer engagement agencies, including MOED.

Why would the Council want to force employers not to hire? Isn't better to start with no skills at Maryland State minimum wages, than have no wages at all in Baltimore? This bill assumes that there will be the same number of jobs available tomorrow. This will not be the case if this bill passes. Baltimore will not attract companies to invest in our city -- resulting in stagnation and decline in our fragile neighborhoods.

Instead of opposing our job creators, business and government need to work together to teach our community new skills for life-time careers like promoting MOED's Youth Works and more on-the-job training. We need more businesses in our city, especially more minority businesses. Why isolate Baltimore? Why separate Baltimore so we cannot compete in a free economy like other regions? This bill is misguided, and will hurt our residents, especially our re-entry community. It's a disaster and certain to fail, setting Baltimore back for generations. Our City simply cannot afford it. I urge you to vote "No". Thank you.

John D. Danko
President
March 1, 2017

Paying less than the minimum wage for younger workers sends the wrong message and will be bad for families, the economy and our communities. We want to incentivize working hard and reward that hard work with decent wages and the opportunity to get ahead, for all our employees. How can we ask our young people to seek employment and pursue higher education if the wages they earn don't allow them to support themselves and access those opportunities? And let's not forget that these young people are also an important part of the consumer base of many businesses, including my own.

We are in good company in supporting this increase. As a member of Business for a Fair Minimum Wage, I know that fair wages are good for business in other ways, from reducing turnover and related hiring and training costs, to increasing productivity. People are our most precious resources. Words are meaningless without action to back it up. People know you don't value them when you pay them and treat them poorly. When you invest in your employees, they invest in your business.

We built our business around a great tasting organic, protein smoothie with no added sugar. As you may know, organic is the fastest growing part of the food industry. Wages are like the protein of an economy. When our bodies don't get enough protein, our health suffers. When wages are too low, our economy is not healthy.

Baltimore City needs a raise. Ask yourself what your life would be like making $8.75 an hour. Fair wages are so important in our society and in Baltimore. We can't say we've got to fix this city up, and then pay people too little to live on. Low wages depress consumer demand and businesses – and the community (and businesses) suffer as a result. No one working full-time should live in poverty.

I strongly encourage you to pass the gradual increase to $15 by 2022 for larger businesses and 2026 for small businesses, and to reconsider the exemption for workers under 21.

Thank you for your time.

Andrew Buerger
Owner
B'More Organic
3000 Chestnut Ave, Suite 336
Baltimore, MD 21211
410-417-7579

B'MORE ORGANIC

Testimony from Andrew Buerger, Owner, B'more Organic
Position: SUPPORT
Submitted to the Baltimore City Council
On Labor and Employment-- City Minimum Wage
March 1, 2017

Thank you for the opportunity to share my perspective. I'm Andrew Buerger, founder of B'more Organic. We have 5 employees plus 1 to 4 paid interns at any one time, and we pay a starting wage for interns of $10-12 an hour. Our full-time employees earn $15 an hour or higher. I strongly support phasing in an increase to Baltimore City's minimum wage to $15, and I do not support the exemption for employees under 21, as I'll discuss.

We want and need to make a profit. We are a certified B Corporation. There's no contradiction. We can't make money sustainably at the expense of our employees or our community. We believe in the triple bottom line of people, planet and profit. Indeed, we've found taking good care of our people is actually one of the best ways to be successful and grow our business. In just five years, this approach has helped us spread our distribution to almost 3,000 stores in forty-four states in stores like Wegmans, Kroger, Publix and Whole Foods.

As a small food brand, people are at the heart of what we do. One of our competitive advantages is our human touch. Our employees are constantly interacting with and growing our customer base through phone calls, emails, social media, and field marketing such as in-store demos. It's imperative they are professional and passionate about their work and our products. We can't expect our people to perform at a high level if we don't pay them accordingly.

Further, my experience with young workers differs from what you may hear from some others – employers who act like they are doing their young workers a favor by giving them a job, and that the work of younger employees doesn't merit the full minimum wage. I see it differently.

Our paid interns, high school and college students, or recent college grads work incredibly hard for us. They are smart and dedicated – so much so that it's hard to get them to *stop* working at the end of the day. Sure, they are getting valuable work experience and learning with us, but they are also teaching us. They teach me about social media and how to reach our younger customers. They represent where the world and our customers are headed.

We expect the same high level of professionalism and service of our younger people as we do all our employees, so how does it make sense to pay them less? They are all contributing to our success and our bottom line. The quality work we get from our younger employees is directly related to being paid well in the first place and rewarded for hard work.

Hello, my name is D'auntae Stewart

I live in West Baltimore with my mother Iona Summerville – she's a member of 32BJ SEIU and works as a security officer at Johns Hopkins University.

A $15 minimum wage would not only help her care for my brothers, but it would completely change the lives of workers like me who are younger than 21.

I'm 20 years old and I consider myself an adult.

But that's hard to do when my job pays so little that I have to live at home with my parents.

I work part-time at the Marshalls Inner Harbor, but I'm lucky to bring home $100 a week!

It's never enough. I need help paying for bus fare, my cell phone, even my lunch money.

I rescue animals –so I also have to pay for their food.

Our tiny home is so crowded - there's so many people – I have four brothers!

You never have your own space and you have no privacy.

It makes life even more stressful.

When I heard that the minimum wage could go up, it was like a light at the end of a tunnel. I could finally get my life in order.

At $15 per hour, I could move out of my parents' house and live on my own.

I could maybe get a car to help save my family on bus fare. I wouldn't have to worry about being late for work or not having enough to pay bus fare.

I would also start saving up to go to school to be a veterinarian or a chef.

I can't understand why the Council is trying to exclude workers like me who are under the age of 21.

How am I - how is anyone supposed to support themselves or pay the rent on less than $15 an hour?

Please, I urge you to think twice about all of the workers – like me - who you are leaving behind to suffer.

Thank you.

Increased consumer spending means more demand, which means more sales, which means more jobs, which means the economy grows and more wealth is created at every level.

Many full-time workers who are paid the minimum wage are also dependent on government subsidies, as the current minimum wage is not a living wage. A low minimum wage amounts to a taxpayer subsidy for low-paying businesses, including highly profitable large corporations. Raising the minimum wage levels the playing field for businesses invested in their employees and the city of Baltimore.

As a member of Business for a Fair Minimum Wage, I can share that many business owners support raising the minimum wage. It increases productivity, grows consumer spending and the economy, and improves the lives of hard working people. It's time we raise Baltimore's minimum wage—it's good for businesses, good for the economy and good for our city.

Thank you.

Josh Keogh
Owner
Baltimore Bicycle Works
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Baltimore, MD 21201
josh@baltimorebicycleworks.com
410-627-3715

Testimony from Josh Keogh, Co-Owner, Baltimore Bicycle Works

Position: SUPPORT

Submitted To the Baltimore City Council

On Labor and Employment--City Minimum Wage

March 1, 2017

Hello, my name is Josh Keogh. I am one of the founders of Baltimore Bicycle Works. We are a retail bicycle shop that was voted Baltimore's Best Bike Shop again in 2016 by City Paper readers. We're a worker-owned cooperative founded in 2008 and invested in Baltimore for the long haul. We have 8 employees—6 full time worker-owners, including myself, and 2 employees also full time, who are working toward purchasing shares of the business. We are also currently hiring. We pay a starting wage of $11 an hour, and strongly support gradually increasing Baltimore City's minimum wage to $15 by July 1, 2022 for larger businesses, and $15 by 2026 for smaller businesses like ours.

We recognize that increasing the minimum wage in Baltimore would affect us on the expense side of our balance sheet, but we also know it would also significantly affect us on the revenue side. Increasing the minimum wage to $15 would mean many of our customers – and future customers – will have more income to spend on bicycles and repairs. And the gradual phase-in would allow us plenty of time to ramp up to that $15 an hour.

Because we already pay more than the current minimum wage, we see the benefit paying living wages has on our business. Paying a fair wage has been a great investment for us. We attract high-quality employees who care about our business and provide excellent customer service.

We depend on excellent customer service to get people in the door, keep them coming back and tell their friends and family about us. By treating our employees well and paying a fair wage, we ensure they treat our customers well and it shows in our business success.

Paying a fair wage keeps your workforce more productive, engaged and dedicated. Because we treat our employees well we have low turnover—which is a huge cost—and our employees know our business inside and out, and it shows when they're dealing with customers. Running a business is challenging work, but having a healthier economy is a vital part of the formula for having a healthier business. Raising Baltimore's minimum wage will have a positive effect on the city's businesses and our economy.

You'll hear from people who say raising the minimum wage will hurt business because their labor costs will increase—but they're only telling you half the story. Workers are also customers. When workers have more money, they spend it at shops like ours and businesses throughout the city. If my customers don't have enough money because they're spending every last dime on food and shelter, they're not going to shop at my business or many others in the city.

We strongly urge Baltimore to enact a $15 minimum wage bill that does not discriminate against younger workers. The arbitrary threshold of 21 years mainly benefits big businesses with high-turnover staffing models. The threshold provides incentives for other businesses to adopt these harmful business models and to replace adult workers with a younger and lower-paid workforce.

The threshold also ignores the real economic needs and contributions of young adult workers. Low-wage young adult workers often come from struggling households that depend on these workers' incomes to make ends meet. Others are students working their way through college with limited family support. These workers deserve a higher minimum wage, too. No other jurisdiction in the country has denied a minimum wage increase to such a broad group of young people.[5] Baltimore should not set a precedent for exclusionary minimum wage laws.

Ordinance 17-0018, with an amendment to remove the exemption for young adult workers, will help put Maryland on track to a fairer and healthier economy. We urge a favorable report for this important legislation.

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[5] National Employment Law Project, "Excluding Workers Under Age 21 Baltimore's Minimum Wage Law is Harmful & Unprecedented Policy," February 2017, http://www.nelp.org/content/uploads/Baltimore-Youth-Exemption-Fact-Sheet.pdf.

Bill: Labor and Employment - City Minimum Wage

Committee: Labor Committee

Position: **SUPPORT**

Date: March 1, 2017

Testimony of Taylor Smith-Hams, Healthy Communities Campaign Organizer, Chesapeake Climate Action Network

Dear Chairwoman Sneed and Members of the Committee,

The Chesapeake Climate Action Network respectfully requests a favorable report on Ordinance 17-0018, with an amendment to remove the exemption for young adult workers, because of the close link between economic justice, public health, environmental protection, and climate justice. A healthy workforce and a healthy environment go hand in hand.

Our organization strives toward an equitable, sustainable, and robust economy in Maryland, where residents can enjoy good health while working in long-lasting, family-sustaining jobs that build our economy, preserve our environment, and help stabilize the climate. We believe in a healthy environment, healthy economy, and healthy people. Ordinance 17-0018 will help Maryland achieve this vision.

One of the most significant steps we can take to improve the lives of thousands of Baltimore workers is to raise the minimum wage to $15 an hour. Nearly two-thirds of Baltimore workers who currently live in or near poverty would get a raise under this policy, according to the Economic Policy Institute. The workers in Baltimore City who would benefit from this bill are their families' main providers, earning 54.6 percent of their family's income.[1] Among affected workers with families, approximately 20 percent are their family's sole provider.[2]

Raising the minimum wage will not hurt the economy. In fact, small businesses will likely benefit from a higher minimum wage because low-wage workers tend to spend their increased earnings on basic needs at local businesses.[3] And jurisdictions around the country that have raised their minimum wages are seeing that the benefits substantially outweigh the likely modest costs. Seattle, the first major city to adopt a $15 minimum wage, saw the region's unemployment rate hit an eight-year low of 3.6 percent in August 2015, significantly lower than the state's unemployment rate of 5.3 percent.[4]

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[1] Will Kimball, "Raising Baltimore's minimum wage to $15 by July 2020 would lift wages for 98,000 working people." *Economic Policy Institute*, May 4, 2016, http://www.epi.org/publication/raising-baltimores-minimum-wage-to-15/.
[2] *Id.*
[3] National Employment Law Project, "The Case for Raising Baltimore's Minimum Wage to $15 by 2022," January 2017, http://www.nelp.org/content/uploads/NELP-Fact-Sheet-Impact-of-15-Baltimore-JAN-2017.pdf.
[4] National Employment Law Project, "The Case for Raising Baltimore's Minimum Wage to $15 by 2022," May 2016, http://www.nelp.org/content/uploads/Fact-Sheet-Raising-Baltimore-Minimum-Wage.pdf.

Baltimore Delivers More Value

Attachment A

Baltimore Delivers More Value

A survey of meeting professionals from across the country ranked Baltimore as number one or two in 18 of the core attributes classified as "value."

The survey, conducted by Minding Your Business (MYB), a well-known consulting firm in the industry, included respondents who have held meetings in Baltimore and those who hadn't. The survey concluded that when taking all of the factors that are considered when selecting a destination and highlighting those that represent "value," Baltimore clearly offers meeting professionals "meetings with more."

MYB's findings showed that Baltimore's customers and prospects rated Baltimore highly for "overall value offered," defined as "the professional return on your meeting investment."

The various factors that comprise "value" fall into three categories: Service, Convenience and Financial.

In the final analysis, Baltimore ranked first or second in 18 of the core attributes when weighed against its competitive set.

Service factors:

- Contracting process;
- Understanding the customer's business;
- CVB support and range of services provided;
- Collaboration between Visit Baltimore, the Baltimore Convention Center and the hotel community;
- Convention center facilities;
- Highly competent local industry partners, and
- CVB's strong reputation for excellent service.

Convenience factors:

- Ease of lift;
- Ease of getting from the airport to the hotels and convention center;
- Ease of doing business in the city;
- Wide variety of dining and entertainment options;
- Walkability of the city;
- Proximity of the convention center to hotels and entertainment/dining options, and
- Appeal of the area around the center, which is two blocks from Baltimore's renowned Inner Harbor.

Financial factors:

- Affordable travel costs;
- Savings gleaned from the absence of shuttle expenses, and
- Value-adds.

To learn more about what our customers think about Baltimore, see their testimonial videos.
- See more at: http://baltimore.org/info/baltimore-delivers-more-value#sthash.pgDVi7jy.dpuf

3. Increased minimum wage will result in higher prices and make Baltimore less competitive as a destination.

- (Actual Case Study – Maryland property) ADR would have to increase by $8.46 to offset increased wages, based on 65% occupancy. From 2012-2014, a period of record growth in the lodging industry, ADR only increased by $5.55 in Baltimore. (2015 Visit Baltimore Annual Report)
- More than 80% of Baltimore visitors are leisure travelers who can easily choose to stay somewhere else or not make the trip at all. (2015 Visit Baltimore Annual Report)
- "Value" is a top asset for Baltimore when selling against other cities. Increased rates may cause Baltimore to lose business as prices rise due to increased operating expenses. (See Attachment A)
- A multitude of third party reports and surveys of meeting professionals show that, after establishing exhibit hall/space available, destinations are mainly compared by their hotels – in particular room prices and quality.

Visit Baltimore defines the cities shown below as Baltimore's core peer set in terms of convention sales pace tracking.

	Total Sleeping Rooms[1]	Convention Center Space – Contiguous exhibit sq. ft.[2]	Average Hotel Room Rate[1]	Average Daily Meal Cost[1]
Baltimore	10,972	300,000	$140	$71
D.C.	29,079	703,000	$200	$71
Charlotte, NC	19,291	280,000	$110	$51
Pittsburgh, PA	12,134	313,400	$119	$71
Philadelphia, PA	16,490	679,000	$157	$66

Source: [1] CVent Meeting & Event Planning Guide; http://www.cvent.com/rfp/meeting-event-planning.aspx,, [2] – Convention Center websites

4. A healthy, growing hotel industry is good for owners, operators, and the city.

- Growth / open hotels result in higher tax revenue (occupancy, real estate, payroll, etc.) for the City.
- Investors may bypass Baltimore in favor of areas where overall operating costs lead to increased profitability. We need to see MORE investment in the City, not less.

5. We are concerned by other language in the bill, related to the Wage Commission and existing exceptions.

- We would like to see clarification on who may be named to the Wage Commission as well as steps employers may take to cure issues brought up by the Commission.
- Giving subpoena power to the Commission is concerning.

Maryland Hotel & Lodging Association Testimony
OPPOSED to Baltimore City Council Bill 17-0018
Submitted by Amy Rohrer, President & CEO on March 1, 2017

1. We want to partner with the City to grow jobs and opportunities for Baltimore City residents. Increasing minimum wage in the City will DECREASE entry level positions awarded to the City's youth and other residents.

- Competition for these jobs will increase and those jobs are likely to be awarded to individuals with previous experience and training.

2. The cost of living in Baltimore is significantly lower than other areas of the country that have passed $15 minimum wage bills. The Maryland General Assembly already passed minimum wage increases that have not fully taken effect. ($9.25 / $10.10 as of July 1, 2017 / 2018.) The impact of the already increasing statewide wage should be evaluated before increasing the rate even further in Baltimore City.

The chart below shows the equivalent of earning $50,000 or a $10.00 per hour wage in Baltimore vs. the cities listed.

Metro Area	Annual Salary Equivalent to $50K in Baltimore	% Difference	Hourly Wage Equivalent to $10.10 in Baltimore	Minimum Wage Rates as of 2016
San Francisco-Redwood	$78,191	56.40%	$15.79	San Francisco - $15.00 by 2018
Seattle-Bellevue-Everett	$62,190	24.40%	$12.56	Seattle - $15.00 by 2018-21
Los Angeles-Long Beach-Glendale	$62,190	24.40%	$12.56	Los Angeles - $15.00 by 2020
New York City (Brooklyn)	$76,770	53.50%	$15.51	New York City - $15.00 as of 12-31-18
New York City (Manhattan)	$100,798	101.60%	$20.36	New York City - $15.00 as of 12-31-18
Washington DC-Arlington-Alexandria	$65,071	30.10%	$13.14	Washington DC - $11.50 by 2016, 15.00 minimum wage bill proposed.

Sources: http://www.bankrate.com/calculators/savings/moving-cost-of-living-calculator.aspx, http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx, http://www.nelp.org/content/uploads/City-Minimum-Wage-Laws-Recent-Trends-Economic-Evidence.pdf

vi. See Allegretto, Dube, and Reich. 2011. "Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data." *Industrial Relations*. Vol. 50, No. 2. University of California.

vii. Potter, Nicholas. 2006. Measuring the Employment Impacts of the Living Wage Ordinance in Santa Fe, New Mexico. University of New Mexico Bureau of Business and Economic Research.

viii. Schmitt, John, and David Rosnick. 2011. The Wage and Employment Impact of Minimum-Wage Laws in Three Cities. Center for Economic and Policy Research.

ix. See Lynn, M., M. Sturman, C. Ganley, E. Adams, M. Douglas, and J. McNeil. 2008. "Consumer Racial Discrimination in Tipping: A Replication and Extension." *Journal of Applied Social Psychology*, 38: 1045–1060.

x. Cooper, David. 2017. "Valentine's Day is better on the west coast (at least for restaurant servers)." *Working Economics Blog*. Economic Policy Institute.

xi. Calculations using the Quarterly Census of Employment and Wages between 2011 and 2014 (the last available data year for full-service restaurants). For greater detail, see Gould, Elise. 2016. "D.C.'s Fair Shot Minimum Wage Amendment Act of 2016." Testimony Before the Council of the District of Columbia Committee on Business, Consumer, and Regulatory Affairs. May 26.

xii. Allegretto, Sylvia, and Carl Nadler. 2015. "Tipped Wage Effects on Earnings and Employment in Full-Service Restaurants." *Industrial Relations*, vol. 54, no. 4, 622–647.

The clearest indicator of the damage caused by this separate wage floor for tipped workers is the differences in poverty rates for tipped workers depending on their state's tipped-minimum-wage policy. As shown in Figure B, in the states where tipped workers are paid the federal tipped minimum wage of $2.13 per hour, 18.5 percent of waiters, waitresses, and bartenders are in poverty. Yet in the states where they are paid the regular minimum wage before tips (equal treatment states), the poverty rate for waitstaff and bartenders is only 11.1 percent.[x] Contrary to claims made by the restaurant industry, full service restaurants in states that have eliminated the lower tipped minimum wage have experienced stronger growth both in the number of establishments and the number of jobs compared to states with a separate, lower minimum wage for tipped workers.[xi] Research analyzing the specific impact of raising the tipped minimum wage has also found no significant effect on employment.[xii]

In conclusion, raising the Baltimore minimum wage to $15 by 2022 would meaningfully boost the pay of nearly a quarter of the city's workforce. The best research we have suggests that any effect of this proposal on overall employment levels is likely to be negligible and several cities that enacted similar minimum-wage standards subsequently actually outperformed the rest of their state in employment growth. Workers in Baltimore, like those in many cities across the country, are in desperate need of higher wages to meet rising costs of living. Raising the city's minimum wage to $15 by 2022 is a reasonable means and appropriate target for achieving that goal. However, for this bill to achieve its intended purpose, it should be amended so that it does not exempt workers under the age of 21. The council should also consider raising—and ideally eliminating—the lower minimum wage for tipped workers. With these changes, this bill would go a long way towards ensuring that the Baltimore economy works for all its workers.

Endnotes

i. EPI analysis of American Community Survey microdata, 2011. See: http://www.epi.org/chart/baltimore-table-1-characteristics-of-baltimore-workers-who-would-be-affected-by-increasing-the-minimum-wage-to-15-by-2022/

ii. Based on the Congressional Budget Office's forecast for the CPI-U. Congressional Budget Office. 2017. The Budget and Economic Outlook: 2017 to 2027.

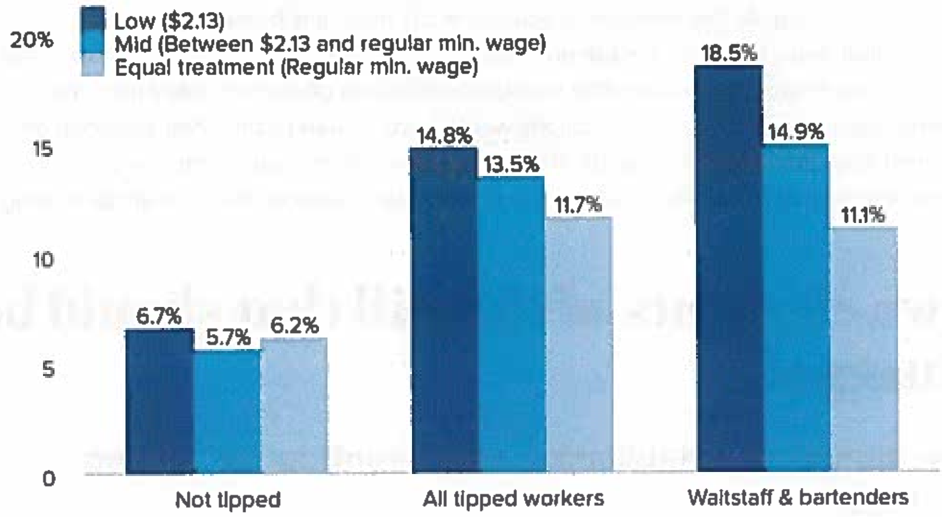
iii. Gould, Elise, Tanyell Cooke, and Will Kimball. 2015. "Family Budget Calculator." Economic Policy Institute.

iv. See Card, David and Alan Krueger. 1994. "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania."*The American Economic Review*. http://davidcard.berkeley.edu/papers/njmin-aer.pdf

v. Letter to President Obama, Speaker Boehner, Majority Leader Reid, Congressman Cantor, Senator McConnell, and Congresswoman Pelosi. January 14, 2014. http://www.epi.org/minimum-wage-statement/

Figure B

Poverty rates of tipped workers, non-tipped workers, and waitstaff/bartenders by state tipped minimum wage level



Source: EPI analysis of Current Population Survey Annual Social and Economic Supplement microdata, 2013-2015

Economic Policy Institute

A training wage of this structure – some fixed percentage of the regular minimum wage for a limited duration – would be far optimal to establishing a complete exemption to the law based on arbitrary choice of age. There is no reason to think that workers' skills suddenly change upon reaching their 21st birthday. Thus, it is not obvious why this age—versus any other—should demarcate when workers should receive the full protection of the law. There are undoubtedly workers in Baltimore ages 18, 19, and 20 who have families, children, or parents whom they support. If the goal of this law is to improve the welfare of Baltimore's workforce, it would be counterproductive to exempt younger workers, who are often the most vulnerable and face the greatest need.

The importance of raising the minimum wage for tipped workers

Finally, I'd like to discuss the importance of raising the city's tipped minimum wage and eliminating the differential treatment of the tipped workforce—a step that nine states and one city have already taken.

Research indicates that having a separate, lower minimum wage for tipped workers perpetuates racial and gender inequities, and results in worse economic outcomes for tipped workers. Forcing service workers to rely on tips for their wages creates tremendous instability in income flows, making it more difficult to budget or absorb financial shocks. Furthermore, research has also shown that the practice of tipping is often discriminatory, with white service workers receiving larger tips than black service workers for the same quality of service.[lx]

market forces will moderate geographic discontinuities in wage rates for similarly skilled workers within the same labor market. All else being equal, a resident of the surrounding area will only seek a job within the city if the potential increase in her wages exceeds the cost of commuting. As the minimum wage in the city rises, it is possible—at least initially—that there could be a wage premium to commuting into the city. However, if that wage premium were to start drawing substantial numbers of workers away from the city suburbs, businesses in those jurisdictions would have to start raising their wages in order to attract and retain staff. As they do, the pay premium of commuting into the city will shrink, and suburban residents will have less incentive to take on the cost of commuting.

Two elements of this bill that should be changed

The danger of establishing an exemption for "young workers"

Creating a blanket exemption to the minimum wage law for workers under the age of 21—as is currently written in the bill—would undermine key functions of the law and should be strongly reconsidered. There are 29 states, 31 cities, and 9 counties across the country that have established their own prevailing minimum wage and not one of them has a similar exemption – and for good reason. The purpose of establishing a wage floor is to set a standard that applies to the broadest possible range of employers and employees, regardless of the type of work or the qualities of the worker. When that standard is universally applicable, it ensures that all workers are treated equally and that the law is not advantaging certain businesses over others. Any time that you create an exemption or carve out to that standard, you create opportunities for potential abuse. In this case, drawing a line at age 21 creates an incentive for employers to replace any worker who reaches their 21st birthday with someone younger. Although this could encourage some employers to hire younger workers, it will simultaneously discourage them from hiring or retaining workers in their early 20s. Furthermore, such an exemption would advantage entities more accustomed or willing to operate with high turnover – which are typically larger businesses and corporate entities that have well-developed recruitment and training infrastructure.

If the goal of this exemption is to encourage employers to consider hiring young workers, there are far less problematic alternatives. For example, the federal minimum wage allow for employers to pay training wages (typically some percentage of the regular minimum wage) to young workers during their initial period of employment. Under federal law, employers may pay workers under the age of 18 a training wage of 85 percent of the regular minimum wage during their first 180 days of employment. This temporary reduction in the wage requirement allows businesses to hire a young worker and either train them or verify that they have the requisite skills for the job before being held to the full minimum wage requirements.

There is a more limited number of studies examining effects of city-level minimum wages, but those that do exist have also found little to no impact on employment. In 2004, the city of Santa Fe, New Mexico, enacted a city minimum wage that was 65 percent higher than the state minimum wage and implemented that increase all in one step. Researchers at the Bureau of Business and Economic Research at the University of New Mexico published an analysis of the effects of the minimum wage hike in 2006. They concluded that "the ordinance had no discernible impact on employment per firm and Santa Fe actually did better than Albuquerque [the closest neighboring city that did not raise its minimum wage] in terms of employment changes. Overall employment levels have been unaffected by the ordinance. In contrast to prevailing economic theory, the accommodations and food services sector did comparatively better [after the minimum wage increase]."[vii]

A 2011 study by researchers at the Center for Economic and Policy Research found that the Santa Fe minimum wage—as well as a similar minimum wage ordinance enacted in San Francisco at the same time— "raise[d] the earnings of low-wage workers without a discernible impact on their employment. Moreover, the lack of an employment response held for three full years after the implementation of the measure." [viii]

Will businesses choose to locate outside the city to avoid paying the higher minimum wage?

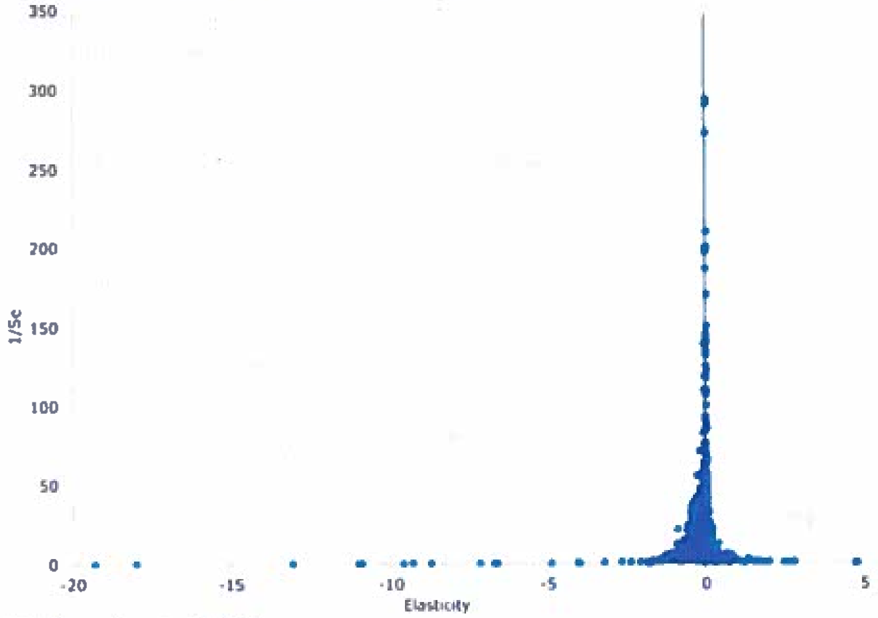
In all the research on cities that have enacted higher minimum wages, there is no evidence of businesses relocating or adjusting location plans to avoid the higher wage standard. This is because the industries that are typically affected by a higher minimum wages are direct-to-consumer industries: retail, accommodation and food service, education, hospitals, and child care. These are not mobile industries like manufacturing or IT, which might have greater ability to move to areas with lower wages. The primary factor influencing location decisions for businesses in these industries is access to customers. Moreover, the largest component of their operating costs tends to be real estate, not labor costs. If existing businesses have already determined that being inside the city is worth paying higher rents in order to access the city's consumer base, it is highly unlikely that an increase in their labor costs would motivate them to move – particularly if all their competitors would be facing the same increase in labor costs, and a large portion of the city's workforce now will have more money to spend. Given that the majority of affected workers from this proposal are city residents, there should be even less concern that businesses would want to move, or would choose to stop locating in Baltimore since the biggest boost in disposable income resulting from this increase will take place among workers living in the city.

Will city residents be crowded out of jobs by new commuters from the surrounding area?

Establishing a higher wage floor in Baltimore will attract new entrants to city's labor force, both from within city limits and from outside the city. However, there is little evidence from any other city that has enacted a higher minimum wage that workers from the surrounding jurisdictions have measurably crowded-out local workers. This is because over time,

Figure A

Trimmed Funnel Graph of Estimated Minimum-Wage Effects (n = 1,492)



Source: Doucouliagos and Stanley (2009).

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Figure A shows the results of a "meta-study," a study of studies, of 64 studies on the minimum wage between 1972 and 2007. The X-axis shows the effect on employment resulting from a minimum wage increase; the Y-axis shows the statistical rigor of the study. As you can see, the results of the vast majority of studies cluster around zero, and those studies with the highest statistical power—i.e., the most rigorous studies—all fall on the zero line.

There have been other highly rigorous studies published since 2007 confirming this finding—including one that examined what happened at the county level after every single minimum wage increase in the United States from 1990 to 2006 concluding that there were "strong earnings effects and no employment effects from a minimum wage increase."

This consensus among economists has become so strong that in 2011, 600 Ph.D. economists, including eight Nobel Prize winners, sent a letter to Congress encouraging them to raise the federal minimum wage.[v] The letter stated, "In recent years there have been important developments in the academic literature on the effect of increases in the minimum wage on employment, with **the weight of evidence now showing that increases in the minimum wage have had little or no negative effect on the employment of minimum-wage workers, even during times of weakness in the labor market.**" Studies that have examined effects specifically on teens have arrived at this same conclusion. [vi]

Effect on jobs

The effect of increasing the minimum wage on employment is likely the most studied topic in labor economics and the consensus of the profession has shifted dramatically over the past several decades. Early studies of the federal minimum wage in the 1960s and 70s seemed to confirm the rudimentary supply-and-demand model of competitive labor markets, which predicts that an increase in the minimum wage above a "market-clearing rate" will lead to a loss of employment. Up until the early 1990s, there was a consensus in the economics profession that increases in the minimum wage caused job loss.

But that consensus began to crack with a new round of research in the 1990s, with many new rigorous studies showing no employment losses and in some cases employment *gains* due to increases in the minimum wage.[iv] At the same time, other studies that still found negative employment effects were finding them to be much smaller than was previously thought. By the mid-2000s, the profession was at a place of no consensus on whether the effect of increases in the minimum wage on employment was positive or negative. However, there was a growing consensus that the effect, whether positive or negative, was *small*.

In the last few years, another round of research on the minimum wage—representing the best methodological practices we have—has been peer reviewed and published in top academic journals. These studies find that there has been essentially no effect of increases in the minimum wage on employment, neither positive nor negative.

Baltimore—meaning that city residents will disproportionately benefit from the higher minimum wage. In fact, resident workers are more than twice as likely as commuters to be affected by the proposal: 34 percent of Baltimore resident workers will get a raise, compared with 17 percent of commuters.

Is a $15 minimum wage appropriate for Baltimore?

First, it is important to recognize that inflation will always reduce the purchasing power of any wage floor over the course of its implementation. Based on the CBO's forecast for inflation, $15 in 2020 is the equivalent of about $13.06 in today's dollars.[ii] For years, EPI has published and regularly updated a feature on our website called the Family Budget Calculator. This tool measures the income a family needs in order to have a modest yet adequate living standard in 618 different geographic areas in the United States. It accounts for differences in costs of housing, food, child care, transportation, health care, taxes, and other necessities. For residents in Baltimore, a one-person budget requires $33,994 to meet the budget threshold. This translates into a full time hourly wage of $16.34 as of this year.[iii] Workers with children and families would need significantly higher wages. That means that even with a minimum wage of $15 by 2022, some full-time workers will still struggle to make ends meet, although they will be considerably better off than under a $10.10 minimum wage.

The second key measure by which economists typically judge the appropriateness of a wage floor is to compare the value of the minimum wage to the wage of the median full-time worker. According to data from the Bureau of Labor Statistics, the median wage of full-time workers in Baltimore as of May 2015 was $21.98 per hour.[4] Thus, a minimum wage of $15 in 2022 (or $12.90 in 2015 dollars) would be equal to about 59 percent of the median wage—assuming median wage growth at the rate of overall inflation. This would be slightly less than the relative level of the minimum wage that will be established in California and New York, after both states passed $15 minimum wages earlier last year. However, it is worth noting that both California's and New York's increases will have a larger "bite" than the proposed minimum wage for Baltimore. Their increases will affect 37 percent of their respective workforces, whereas this ordinance would affect less than 24 percent of the Baltimore workforce.

How would this increase affect employment and the local economy?

A city minimum wage of $15 in 2022 would be 48.4 percent higher than the $10.10 Maryland state minimum wage scheduled under current law. Given this difference, it is reasonable to question how this would affect employment and business growth in the city.

Members of the council, thank you for holding this hearing and allowing me to testify today. My name is David Cooper. I am the senior economic analyst at the Economic Policy Institute, a non-profit, non-partisan research organization in Washington, D.C., that focuses on improving the economic conditions of low- and moderate-income Americans.

I am testifying today in support of Council bill 17-0018, which would establish a minimum wage in the City of Baltimore of $15 per hour. Prior to this hearing, EPI conducted an analysis of who in the city of Baltimore would be affected by establishing a minimum wage of $15 by 2022.[1] I will briefly describe the topline results of that analysis, discuss the appropriateness of a $15 minimum wage in Baltimore, describe what the economics literature tells us about how establishing a higher city minimum wage will affect the local and regional economy, and then note two areas where this bill could be improved.

Who will be affected?

Establishing a city minimum wage of $11.25 by July 2019 and then gradually raising it to $15 by 2022, would raise the wages of approximately 88,000 workers in Baltimore—a little less than 1 in 4 Baltimore workers (24 percent). This includes 70,000 workers who will be directly affected by the ordinance—meaning their wages would otherwise be below $15—and 18,000 workers who will be indirectly affected by the measure, as their projected wages would likely be just above $15, and they will get a raise as employers adjust overall pay ladders. We estimate that the average affected worker will see her annual income go up by roughly $4,400 in real (inflation-adjusted) terms.

I should note that these figures describe the workforce that would be affected if the higher minimum wage applied to businesses of all sizes and workers of all ages. I understand the current proposal includes a slower increase schedule for smaller business and an exemption for young workers, both of which will reduce the total number of affected workers. Nevertheless, the broad demographics of the affected workforce under this proposal should be generally consistent with these findings. Among the workers who would benefit from the higher minimum wage in Baltimore:

1. The overwhelming majority are adults—only 5 percent are teens;
2. The majority (56 percent) are women;
3. The majority (54 percent) are black, and more than two-thirds (6 percent) are people of color;
4. More than a quarter (29 percent) are parents;
5. Nearly three-quarters (72 percent) work full time;
6. The largest concentrations of affected workers work in accommodation and food service, retail, office support, residential care and child care, hospitals, and other services such as janitorial and personal care services; and
7. The majority are city residents. Roughly 44 percent of the city's total workforce lives within Baltimore, yet more than 61 percent of the beneficiaries of the proposal live in

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Testimony of David Cooper in support of Baltimore City Council Bill 17-0018 establishing a $15 minimum wage in Baltimore

March 1, 2017

a wage hike that is indexed to inflation. This response rate is consistent with other national surveys that demonstrate 60%[21] support among small businesses for setting a minimum wage that requires "adjusting it for inflation each year." Many small businesses support higher wages[22] because they believe higher wages "level the playing field by preventing larger or less scrupulous firms from gaining a competitive advantage through very low labor costs."

Here too, President Obama's Department of Labor[23] weighed in to advocate for higher minimum wages, and offered yet another minimum wage survey that places support at 3 out of 5 small businesses, or 60%. Small business owners explain this response rate by saying that a minimum wage increase, "would immediately put more money in the pocket of low-wage workers who will then spend the money on things like housing, food, and gas. This boost in demand for goods and services will help stimulate the economy and create opportunities." Suffice it to say that small business opposition to increased minimum wages is an exception, not the norm.

<u>Baltimore is Not an Exception</u>
Economists conducted a study on "factors influencing state job growth trends" that "compares employment trends in neighboring counties that are economically similar except for having different minimum wages."[24] They looked "at employment levels among every pair of neighboring U.S. counties that had differing minimum wage levels at any time between 1990 and 2006," and found that "higher minimum wages did not lead business in those states to reduce their hiring or shift their hiring to neighboring counties with lower minimum wages." The point bears repeating. Economists studied every county with a higher minimum wage than its neighbors over the course of a 16-year period, and found no job loss in those counties.

Though it may seem redundant after outlining the study of U.S. counties, it is worth mentioning that even the most ballyhooed (I use that word whenever possible) of worst-case scenarios from minimum wage opponents does not hold weight when put to a market test. In San Francisco, by May 2015, tipped workers were required to be paid their full minimum wage of $12.25—before tips. Thus, not only was the labor market subject to an anomalous local law, but it impacted tipped workers, who are so zealously defended from wage increases that their federal minimum wage has not been raised since George HW Bush was president. What was the result of this perfect storm of job loss? As reported[25] by President Obama's Department of Labor, "the San Francisco leisure and hospitality industry, which includes full-service restaurants, experienced positive job growth [that year], including following the most recent minimum wage increase."

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21 http://www.nelp.org/content/uploads/Minimum-Wage-Basics-Business-Effects.pdf
22 *Id.*
23 https://www.dol.gov/featured/minimum-wage/mythbuster
24 http://www.nelp.org/content/uploads/Minimum-Wage-Basics-Business-Effects.pdf
25 https://www.dol.gov/featured/minimum-wage/mythbuster

received $1.00 out of every $3.00 paid nationwide as recently as 2013, the top 3% of wealth holders controlled $1.62 out of every $3.00 in assets nationwide as recently as 2013. This concentration of wealth[18] in the top 3% has jumped by 10% since 1989, relative to an 11.5% fall in wealth for the bottom 90% since 1989.

Why do these statistics matter in a conversation about the minimum wage though? Because for 90% of Americans, their only real access to money is their income, not inherited or accrued wealth. For these Americans to experience the stability of accrued wealth then, which includes benefits such as home ownership and freedom from a dependence on credit, they must receive a sufficient amount of income to let them not just to make ends meet, but rather, enjoy a reasonable opportunity to save money. That requires creating labor conditions that allow wealth accrual to be the norm, rather than the exception to it.
A high minimum wage is the closest weapon we have to a silver bullet when it comes to a fair distribution of capital relative to labor. Many critics of high minimum wages argue that they create wage compression- which essentially means that they force a higher amount of workers into a narrower band of compensation. This is true, but far from being the bogeyman it is propped up as, wage compression creates the market conditions that allowed the economy to flourish stably throughout the mid-20th Century. Economists refer to this New Deal-induced economic period as "The Great Compress" because it closed the gap between rich and poor more effectively than any other point in American history, in large part by concentrating wage rates in a narrower band of compensation. An argument against wage compression is, after all, the functional equivalent of an argument for income inequality. We have seen enough depressions and recessions follow periods of extreme income and wealth disparity to have learned the folly of these arguments by now.
If businesses are forced to pay a strong minimum wage that is *indexed to inflation*, any attempt by businesses to pass the cost of higher wages onto the consumer via higher prices leads to a devalued dollar, because higher prices mean a dollar has less purchasing power- this is a shorthand version of inflation. The inflation, in turn, would require that the businesses pay a minimum wage increase. Thus, the businesses are left without an out, forcing them to tap into the record breaking profits that they have consistently cut workers out of since the mid-1970s. Cutting into these profits drags down the exorbitant paychecks of ownership and upper management, creating the wage compression that opponents of a strong minimum wage fear, which helps recreate the peak economic conditions of the mid-20th Century.

Most Small Businesses Already Pay a Living Wage

89% of small businesses "already pay their employees more than the federal minimum wage."[19] A national survey,[20] broken down by region, found that two-thirds of small businesses surveyed for Maryland's region favored raising the minimum wage further, and even in the traditionally conservative South, 58% of small businesses go so far as to support

[18] *Id.*
[19] http://www.nelp.org/content/uploads/Minimum-Wage-Basics-Business-Effects.pdf
[20] http://www.epi.org/blog/businesses-agree-time-raise-minimum-wage/

Big Businesses Can Afford a Higher Wage

From 1948–1973, during the peak economic growth of what many refer to as the "American Century," business productivity and hourly wage growth tracked each other tightly.[13] For the period as a whole, there is only a .4% gap between the percentage increase in productivity and the percentage increase in wages. From 1973–2015, however, a chasm emerged between the rate of productivity and the rate of wage growth, with the rate of productivity out-pacing wage growth 6.6-times over. "This means that although Americans are working more productively than ever, the fruits of their labors have primarily accrued to those at the top and to corporate profits, especially in recent years."[14] Put more directly, businesses are nearly 7-times more capable of paying higher wages than they have been at any point in the last 7-decades, but in the aggregate are less willing to doing so than at any point in the last 7-decades, as indicated by the comparatively flat-lined wage growth. This means that businesses are not having a harder time making ends meet. Rather, year-by-year they have become less inclined to share their ballooning profits with the workers responsible for them, and a critical mass of political actors have chosen to normalize the exploitation of their constituents.

It is worth lingering on this theme a bit longer, to more fully understand the larger dynamic at play when we debate minimum wage growth in our local communities. It should be made clear that the disparity between burgeoning corporate profits and flat wage growth translates into escalating class-disparity in America. The real income- which means an individual's income after accounting for factors like inflation- of the richest 1% nearly tripled[15] between 1979 and 2007, while the income of the median household increased by just 25%, representing a more than ten-fold disparity in income growth. Moreover, almost the entirety[16] of the median household's 25% increase comes from an increase in the average number of hours worked, and the number of household members working, rather than increases in the rate of pay (adjusted for inflation) for those hours. When we talk about the death of the middle class and the glut of the 1% then, we are in no uncertain terms talking explicitly about a failure to translate increased business productivity into an increased baseline wage for our workers.

For the sake of further context, the concentration of wealth (the total value of a individual's accrued assets) is even more pronounced than the concentration of income (the total money made by an individual over a one-year period). Using data from the Federal Reserve's Survey of Consumer Finances, we can see that[17] while the top 3% of income earners

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[13] http://www.epi.org/productivity-pay-gap/
[14] *Id.*
[15] http://scalar.usc.edu/works/growing-apart-a-political-history-of-american-inequality/index
[16] *Id.*
[17] http://www.cbpp.org/research/poverty-and-inequality/a-guide-to-statistics-on-historical-trends-in-income-inequality

at a competitive disadvantage, the impact on prices within the market is ultimately minimal, if at all.

In explaining studies that reinforce minimum wages' marginal-at-most impact on local prices, economists focus on the relative weight of labor[11] within a business's cost structure. In doing so, they find "the absence of price effects shows the relative unimportance of labor in a business's cost structure," particularly outside the restaurant industry. For instance, "a gas station employs far fewer minimum-wage service personnel than a restaurant, and will be relatively unaffected by paying them another dollar per hour." Further, in regional hubs like Seattle and Baltimore, "the cost of renting or mortgaging the physical commercial space may dwarf labor costs," meaning other overhead factors have a larger impact on a business's price structure than minimum wages.

In seeking to provide further context to the relationship between wages and prices, economists have studied competing businesses[12] that utilize the same basic model within the same basic industry, allowing them to easily isolate variables like employee compensation in order to determine its impact on a business's price structure. Upon doing so, as MIT professor Zeynep Ton notes, it becomes clear that:

> *"Highly successful retail chains—such as QuikTrip convenience stores, Mercadona and Trader Joe's supermarkets, and Costco wholesale clubs—not only invest heavily in store employees, but also have the lowest prices in their industries, solid financial performance, and better customer service [scores] than their competitors. They have demonstrated that, even in the lowest-price segment of retail, bad (low-paying) jobs are not a cost driven necessity, but a choice. And they have proven that the key to breaking the trade-off is a combination of investment in the workforce and operational practices that benefit employees, customers, and the company."*

Put another way: extremely successful businesses are proving definitively that you can compete with the price-point of companies like Wal-Mart, who treat their employees poorly, without treating your own employees poorly in the process. One path represents a commitment to retaining and cultivating successful careers for long-term employees; the other represents a willingness to treat employees like expendable chattel to be burned through and replaced. Each offers the prospect of low prices, but only one offers the prospect of a higher standard of living for the workers we depend on.

What does all this mean though? It means that even if higher wages are localized to isolated municipalities or businesses, where one would expect an even more pronounced price disadvantage than if increased wages are applied to an entire market, higher consumer prices are simply not an inherent part of the equation. Here too then, we find the argument against higher minimum wages becomes a straw man.

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[11] *Id.*

[12] http://www.nelp.org/content/uploads/Minimum-Wage-Basics-Business-Effects.pdf

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figures like former Secretaries of the Treasury Larry Summers and Robert Rubin have joined this chorus,[7] and even Goldman Sachs released a report[8] on minimum wage increases "which did not mention disemployment at all– neither as an immediate effect, nor as a forecast."

This increasing consensus on the minimum wage's benign employment impact led President Obama's Department of Labor to list disemployment[9] as one of its minimum wage myths. In doing so, the department referenced a letter to President Obama from over 600 economists, including 7 Nobel Prize winners, reinforcing the arguments made above. To be fair, skeptics can still point to a trickle of anti-minimum wage economists and their studies, but it appears more certain each day that these researchers will be remembered in much the same fashion as tobacco apologists and climate change deniers who held on to the bitter end.

<u>Minimum Wage Gains Do Not Increase the Cost of Goods</u>
Seattle is an interesting case study for minimum wage impacts, because the city raised its minimum wage at a local level, moving local wages beyond the state minimum utilized by surrounding municipalities. This makes it an especially relevant indicator for cities like Baltimore, who are also considering minimum wage increases at a local rather than state level. Seattle's minimum wage increases the city's minimum wage to $15 an hour, stepped out in increments through 2021, and then indexes the minimum wage to increase with inflation. One of the most persistent arguments against the wage increase was a belief that higher prices for goods, services, and rent were an inevitable outcome of the increase. Many minimum wage advocates ceded the point, pivoting instead to an argument that increased wages were worth a marginal increase in prices.

Four researchers at the University of Washington studied the impact[10] of Seattle's wage increases on consumer prices after the increases began. The researchers "visited grocery stores, gas stations, restaurants, and retail outlets," and "also scraped the Web to check local prices on goods, services, and rent" before the wage increase took hold, then repeated the process after a year of business under the increased wage. Their "analysis of grocery, retail, gasoline, and rent prices has found little or no evidence of price increases in Seattle relative to the surrounding areas." "The team found no measurable price hike at all at grocery stores, gas stations, or retail outlets," and the "only place where they found some increase was at restaurants, where prices went up on average around 7%." Even this 7% increase at restaurants is ameliorated by context though, as "they also tested restaurants outside of Seattle and saw increases there as well, meaning that it could reflect higher food costs or other factors beyond the minimum wage hike." The takeaway from this labor-intensive study then, is that even for minimum wage increases that skeptics believe put a local market

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[7] *Id.*
[8] *Id.*
[9] https://www.dol.gov/featured/minimum-wage/mythbuster
[10] http://seattle.legistar.com/View.ashx?M=F&ID=4395916&GUID=23C988CE-DB66-4FA2-A58A-F5B4FBD4AD7D

Understanding the Minimum Wage's True Impact on Baltimore's Businesses

Overview

We do not need to speculate at the potential impact on Baltimore's businesses from a minimum wage increase. Neither do we need to hold up competing studies. Looking at the bulk of minimum wage studies over the last two decades, and the data they rely on, demonstrates that Baltimore businesses will not be harmed by a minimum wage increase.

Minimum Wage Gains Do Not Mean Job Loss

Beginning in the 1990s, researchers began to utilize methodologies[1] that "control for variables unrelated to the minimum wage– such as regional employment trends not driven by minimum wage changes– that otherwise may bias a study's findings." This body of work is often referred to as the "new minimum wage research," an uninspired title with incredibly inspiring results. To understand the consistent takeaways this body of work is producing, economists began conducting "meta-studies"[2] that are essentially surveys of all credible research within the field.

The first meta-study, conducted in 2009, shows there is[3] "little or no significant impact of minimum wage increases on employment." The study utilizes 1,492 different findings from 64 distinct studies, and maps the conclusions of each against "the statistical precision of the findings." In interpreting the mapped data, economist Jared Bernstein explains, "the strong clumping around zero [impact on jobs] provides a useful summary of decades of research on this question [of whether minimum wage increases cost jobs.]" A second meta-study was conducted[4] by Dale Belman and Paul Wolfson in 2014, utilizing 70 studies that offer 439 distinct outcomes, which render one defining conclusion: "It appears that if negative effects on employment are present, they are too small to be statistically detectable. Such effects would be too modest to have meaningful consequences in the dynamically changing labor markets."

In peer review, MIT Economist David Autor characterized these findings[5] as "a fairly irrefutable case that state minimum wage laws do raise earnings in low wage jobs, but do not reduce employment." Autor's views are shared by an ever-expanding share of US economists, and represent a sea change in our understanding of the labor market. The University of Chicago's Booth School of Business conducted a survey of the nation's leading economists in 2013,[6] and found that over 75% "believe that the benefits of raising the minimum wage and indexing it for inflation outweigh any costs." Traditionally centrist

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[1] *Id.*
[2] *Id.*
[3] *Id.*
[4] *Id.*
[5] *Id.*
[6] *Id.*

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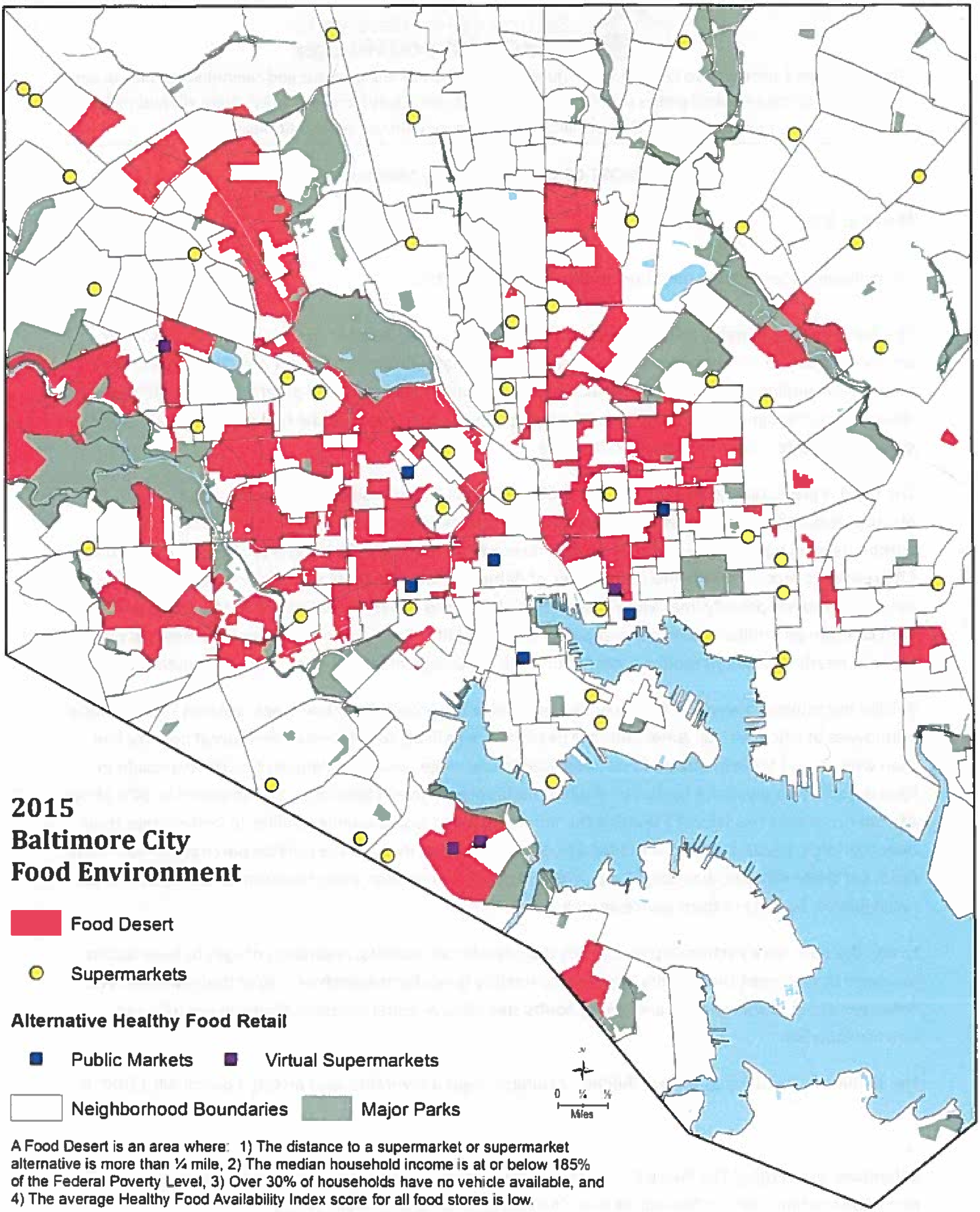

JOHNS HOPKINS

BALTIMORE DEVELOPMENT CORPORATION

Baltimore Partnership to
End Childhood Hunger

The Baltimore Partnership to End Childhood Hunger collaboratively engages civic and community groups to end hunger for all children and families in Baltimore City, transforming Baltimore into a city where all children have reliable access to the nutritious food required to thrive throughout their lives.

IN SUPPORT OF CB 17-0018: City Minimum Wage

March 1, 2017

Councilwoman Sneed, and members of the Labor Committee,

The Baltimore Partnership to End Childhood Hunger is in strong support of Council Bill 17-0018. Our work depends heavily upon the resources aimed at increasing food security for our children and their families – including school meals, afterschool and summer meals, and vital programs like SNAP and WIC. However, we recognize that these are only stop-gap measures, and that the real path to greater food security is greater economic security city-wide.

The need is great: one quarter of Baltimore City residents live in food deserts, areas with a disproportionate lack of access to grocery stores and healthy food options. For our children, that number is even higher, with one out of every three children living in food deserts[1]. Nearly one third of City residents receive SNAP, and one quarter of Baltimore City residents earn wages that keep them below the federal poverty line. More than half of all families in Baltimore City are led by single parents with children and utilizing nutritional supplemental benefits. Before implementing free meals at our schools, nearly 85% of our student population took advantage of free and reduced-price meals.

Raising the minimum wage to $15 an hour would raise the prospects of low-wage workers – particularly employees of color. African Americans are nearly twice as likely to live below the federal poverty line than whites, and are more likely to be employed in low wage positions. People of color also reside in food deserts on a disparate basis: 8% of white Baltimoreans live in food deserts, compared to 34% of our African Americans residents. [2] Elevating the minimum wage would enable families to better meet their own economic needs and secure the futures of their children through the reliable purchase of nutritious food. For these reasons, we recognize that this legislation is not just one of economic justice, or one of racial justice, but one of food justice as well.

Lastly, the Baltimore Partnership recognizes the need for all workers, regardless of age, to have access to wages that support their ability to purchase healthy foods for themselves and/or their families. We believe that our working teens and young adults should have equal access to financial security and upward mobility.

The Baltimore Partnership to End Childhood Hunger urges a favorable vote on City Council Bill 17-0018.

Submitted on behalf of The Policy Committee of the Baltimore Partnership to End Childhood Hunger. For more information, contact Melissa Moore, Chair, at mmoore@familyleague.org

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[1] Buczynski, Amanda Behrens, Holly Freishtat, and Sarah Buzogany. *Mapping Baltimore City's Food Environment: 2015 Report.* Baltimore: Johns Hopkins Center for a Liveable Future, 2015. http://mdfoodsystemmap.org/2015-baltimore-city-food-access-map/
[2] Ibid.

Together, increased graduation rates represent an additional revenue stream of $1.48 million per year for the City, bringing the minimum wage budget shortfall down to $5.35 million per year.

Increased Wages Mean Decreased Homelessness

According to the Washington Post, **roughly 45% of homeless individuals nationwide have worked within the last 30 days.**[12] Their employment, among other factors, leading to an insufficient income to achieve housing stability leads both to their homelessness, and in turn, to their difficulty maintaining employment.

In 2016, the City spent $1,780,543 on homelessness prevention, $3,555,836 on outreach to the homeless, $5,210,053 on temporary housing for the homeless (keep in mind, this is money from the general fund- non-City funding sources double the amount being spent), and $716,837 on permanent housing for the homeless (the other $22 million spent here is from federal funds). **This represents $11,263,269 in cost to the Baltimore City general fund.**

If the 45% of homeless individuals who have worked within the last 30 days begin to earn income at the Finance Department's projected per capita increase of $21,147 per year, in addition to the current base earnings provided $8.25/hr. (an income of $17,160 annually) they will likely increase their income level enough to achieve housing stability in a personal capacity. Even a success rate of only 50% for this population of 45% would drop the demand on current funding by 22.5%. Programs that provide housing-first services for this population, and utilize its increased earning capacity to help cover costs, would have an even higher success rate than leaving them to battle market forces without assistance.

If Baltimore decreases homelessness by 22.5% from the increased housing stability a higher wage allows for, it could save $2,534,235.52 per year.

$2,543,235.52 in cost savings brings the minimum wage budget impact down to $2.81 million.

Conclusion

Even a cursory overview of potential cost savings and revenue increases for City Government demonstrates the inadequacy of the Finance Department's projected budget shortfall from a $15/hr. minimum wage. Combined with an even mildly successful attempt to control wasteful costs elsewhere in the City's budget, this analysis demonstrates the extreme feasibility of covering a minimum wage increase to $15/hr. for City workers.

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[12] http://www.washingtonpost.com/wp-dyn/content/article/2010/07/09/AR2010070902357.html

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a family's income levels and the associated quality of life it entitles them to by even a modest amount plays a significant role in its relationship with the police department, and as such, Baltimore's enforcement costs.

The City's estimate of 23,200 of City residents impacted by **a minimum wage increase represents 3.7% of the City's population**. Now let us assume that, as the BNIA data shows, the improved quality of life that correlates to a higher income, and a higher income neighborhood, **entitles those workers to 75% less likelihood of arrest**.

If Baltimore City's police budget, $475.4 million in 2016, is localized to just 3.7% of the population and reduced by 75%, the City would save $13.19 million in enforcement costs.

$13.19 million in reduced enforcement costs brings the $20.02 million budget shortfall to $6.83 million.

Higher Household Incomes Mean Higher Graduation Rates

America's Promise Alliance found that low-income students have a 13% lower graduation rate than the rest of the student population in Maryland schools.[9] The US Census shows that in Baltimore, high school graduates have a 28% higher employment rate than non-graduates.[10]

The Baltimore City Department of Planning found that in Baltimore, high school graduates earn an average of $8,126 more per year than workers with less than a college degree.[11] If we assume a 13% impact on high school graduation rate for children in the population of 23,200 residents that City Government anticipates being impacted by wage increases, and assume an impact on only one child per household to mitigate disparity between households with no children and households with multiple children, we arrive at a population size of 3,016.

An average income of $8,126 more per year for this population of 3,016 would introduce $24,508,016 to Baltimore's economy, which would mean **$784,256.51 more annually in local income taxes**.

Increasing the employment rate of this population of 3,016 by 28% would impact 845 students. At Baltimore's average per capita income of $25,707 per year, this is an additional $21,722,415 in income per year for the population, creating **an additional $695,117.28 in annual local income tax**.

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[9] http://www.americaspromise.org/resource/building-gradnation-2012-acgr-state-graduation-gap-between-low-income-and-non-low-income
[10] https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF
[11] http://planning.baltimorecity.gov/planning-data#Education, Children & Economic Well-Being

percentile of income earners). **Home ownership increases by 10%** for residents moving from our 2nd income bracket to the 3rd income bracket (40th percentile to 60th percentile of income earners).[4]

The US Census shows that 20% of Baltimore households earn $14,999/per year or less,[5] that $24,999 or more per year/puts a household in the 40% range, and that $34,999 puts a household in the 60% range.[6] Thus, **for a household falling anywhere within these three brackets, it takes very little additional income to move from one income bracket to the next.**

Baltimore's Finance Department assumes a $15.7 million increase in income tax revenue from the 23,200 workers it says will be impacted by the minimum wage. At Baltimore's local income tax of 3.2%, $15.7 million in taxes comes from an expected $490.625 million in increased wages, which is **an average wage increase of $21,147 per year, per employee**. Though this is a facially excessive estimate of wage increase, **even half of that estimate is more than sufficient to move any low wageworker from the 1st to the 2nd income bracket, or from the 2nd to the 3rd income bracket**. That means an increase in home ownership of either 10% or 15%, depending on the change in income tax bracket, based on Zillow's findings. **Let us assume an average increase in home ownership of 12.5%, for the 23,200 workers** the City expects to be impacted by a wage increase.

- 23,200 workers x 12.5% = 2,900 new homeowners
- 2,900 homes at the City's average home value of $152,400 = $3,246.12 in property taxes per home, or $9.4 million total

An increase in revenue of $9.4 million from new property taxes reduces the budget shortfall from $29.42 million to $20.02 million.

<u>A Higher Level of Income Correlates to Less Police Interaction</u>
BNIA shows that Sandtown-Winchester/Harlem Park has an average household income of $24,374.[7] BNIA shows that The Waverlies have an average household income of $32,651.[8] Thus, **even a modest percentage of the $21,147 per capita** increase that the Department of Finance expects, for one wage earner and certainly for multiple wage earners in one household, **is sufficient to change a family's demographic profile** from that of a Sandtown family, to that of a Waverly family.

The number of adults arrested per 1,000 residents is 28.8 in the Waverlies, and 107.5 in Sandtown-Winchester/Harlem Park. Though other factors are certainly present, changing

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[4] https://www.zillow.com/research/homeownership-by-income-9419/
[5] https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF
[6] *Id.*
[7] http://bniajfi.org/community/Sandtown-Winchester_Harlem%20Park/
[8] http://bniajfi.org/community/The%20Waverlies/

Understanding the Minimum Wage's True Impact on Baltimore's Budget

Overview

The United States' Congressional Budget Office assessed a minimum wage hike in February 2014, the last time one was seriously considered at the federal level (at $12/hr.), and found that the increased taxes and improved quality of life outcomes from higher wages would create a small decrease in budget deficits.[1]

Thus, as a starting point, **the notion that Baltimore's increased wages would lead to such a severe budget loss is surprising.**

Increased Wages Do Not Lead to Job Loss

The loss of $4.1 million in income tax revenue that the Finance Department projects from job loss in Baltimore is facially absurd, because meta-studies of all recent minimum wage studies[2] show no statistically significant impact on employment from higher minimum wages.

Removing this $4.1 million revenue loss reduces the budget shortfall to $40.7 million.

Employers Save Wage Costs in Increased Retention, Productivity

Governor Cuomo of New York commissioned a study from UC Berkley and the Institute for Research on Labor and Employment, in advance of his state raising the minimum wage. In their final projections, the researchers relied on findings by professors from the University of Massachusetts Amherst that showed roughly 20% of establishments' increased wage costs were saved in decreased costs from employee turnover and employee recruitment, and increased productivity.[3]

Saving 20% of City Government's projected increase in wage cost equals $11.28 million. **Adding $11.28 million in cost savings reduces the budget shortfall from $40.7 million to $29.42 million.**

Increased Wages Lead to Increased Home Ownership

Zillow performed a survey of homeownership for metropolitan areas across the nation in 2015. It found that for the Baltimore Metropolitan area, **home ownership increases by 15%** when workers move from our lowest income bracket (20th percentile of income earners and below), to the second lowest income bracket (21st percentile to the 40th

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[1] https://www.cbo.gov/publication/44995
[2] http://www.nelp.org/content/uploads/Minimum-Wage-Basics-Business-Effects.pdf
[3] http://www.scholarsstrategynetwork.org/sites/default/files/ssn-key-findings-pollin-and-wicks-lim-on-a-15-minimum-wage.pdf

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32BJ SEIU
Stronger Together

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Testimony of Jaime Contreras, Vice President 32BJ SEIU

Labor Committee Hearing on

Council Bill 17-0018 - City Minimum Wage

March 1 2017

Good evening Chairman Sneed and Committee members. My name is Jaime Contreras and I am Vice President of 32BJ SEIU and Director of the Capital Area District.

Thank you for the opportunity to testify here today on behalf of our members in support of a $15 minimum wage for all workers.

32BJ represents over 163,000 building service professionals on the East Coast, including over 18,000 members here in Baltimore City and the Capital Area. We are cleaners, janitors, security officers and other building service workers. Our members come from diverse backgrounds - hailing from 64 different countries and speaking 28 different languages - but we are united in the fight to improve our lives and support our families by raising standards in our industry and for all workers.

My own story reflects the lives of thousands of our members. I came to the United States as a 13 year old to reunite with my father after it he was forced to flee the bloody civil war in El Salvador.

When I was still in high-school I started work as a cleaner in office buildings in Washington DC. I was paid barely more than $4 an hour but I needed to work to support myself and my family.

I learned on the job that in order for workers in low-wage industries to improve their lives, conditions must be raised for all workers broadly.

This is what we need to do for workers in Baltimore. All workers need a raise to $15 an hour.

Unfortunately the bill currently before the committee leaves out far too many people. Exempting workers under the age of 21 and delaying the wage schedule for employees of businesses with fewer than 50 workers is unjustified and unfair.

The cost of rent, gas and raising children does not take into account the size of a parent's employer. Excluding young workers meanwhile is cruel to people in situations like mine who face life's full costs regardless of their age. Cutting out young people is also out-of-step with other jurisdictions that have passed $15 and will only serve to incentivize a low-wage high turn-over model of employment.[i]

On behalf of our membership I wish to express my strongest reservations about leaving some workers behind and others outside of this increase altogether. I urge to big business though. Studies show that 89% of small businesses already pay employees more than the minimum wage, and a survey by the American Sustainable Business Council showed that 67% of our region's small businesses support a raise.

Myth #4: This is Partisan Opinion

The University of Chicago polled the nation's leading economists, and found over 75% believe the benefits of a higher minimum wage indexed to inflation outweighs any possible costs.

Myth #5: City Government Can't Afford It

Even if you accept the Finance Department's excessive projection of cost- which I don't- Baltimore could easily foot the bill by cracking down on wasteful spending. We're on pace to spend $43 million in police overtime this year, and have averaged roughly $30 million in cost overruns for infrastructure over the last two years. If we spent the next 5 years fixing mismanagement costs, even marginal success with these two areas alone would cover the Finance Department's projected shortfall of $44.8 million per year. Yet still, we may stiff blue-collar workers, choosing instead to subsidize mismanagement. This is unacceptable, but I'm heartened to believe a majority of Councilmembers also rejects that outcome. Thank you for hearing me out, and I look forward to your questions.

Provided by Ben Smith
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Opening Statement

Thank you to the Councilmembers and the advocates in the room today who support a higher minimum wage. My name is Ben Smith, and I'm a Baltimore City resident, lawyer, and public policy consultant. I've only got 2 minutes to open, so I'm going to move fast and start by knocking down a few myths about the minimum wage.

<u>Myth #1: Increased Wages Decrease Employment</u>

In 2014, the Upjohn Institute for Employment Research collected data from 70 recent studies on minimum wage increases, and found any negative impact on employment was too small to be statistically detectable. This is such settled fact that President Obama's Department of Labor listed disemployment as one of its minimum wage myths.

<u>Myth #2: Baltimore will be at a Competitive Disadvantage</u>

The Institute for Research on Labor and Employment studied employment levels for every county in the United States with a different minimum wage than its neighbors from 1990-2006, and found "higher minimum wages did not lead business in those states to reduce their hiring or shift their hiring to neighboring counties with lower minimum wages."

<u>Myth #3: Businesses Can't Afford It</u>

The net value of goods produced in American has grown nearly 7-times faster than wages since 1973, meaning businesses are 7-times more capable of paying higher wages than their 1970s counterparts, but have failed to do so. That problem speaks

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destination appeal. The prospect of increased costs of goods/services being passed onto visitors (e.g. via higher ticket prices, increased rates or new hotel fees, etc.), and/or, a decline in customer service associated with changes in staffing levels or hours of operation, could negatively affect an individual's decision to attend in Baltimore.

- Industry reports also show that, after establishing exhibit hall/space availability, destinations are mainly compared by their hotels – in particular room prices and quality; and, that rising labor costs are factored into booking decisions by MEETING PLANNERS. If Baltimore's minimum wage were to be significantly above those in both our Peer and Like-Market Convention Competitive Sets, and if our hotels or other professional service contractors (e.g. those providing temporary support staff, etc.) were to raise prices or stop offering value added incentives, it could minimize the appeal and value gained from meeting here.

Baltimore's collective tourism impact was $283 Million in CITY taxes/fees generated in 2015 (revenues saving EACH Baltimore household $660 in annual tax contributions) with a further $2.8 Billion pumped back into the community through salaries earned. Any drop in investments and/or in visitors would be of detrimental consequences to these economic, employment and overall quality of life returns.

3. **Visit Baltimore is concerned that this legislation will limit opportunities for Baltimore City residents to participate in Baltimore's hospitality and tourism community.** The hospitality and tourism industry accounts for 7.4% of all area employment, and, is generally recognized as providing entry level positions coupled with on-the-job training to create a viable pathway for upward momentum in both career and wage growth. Increasing minimum wage in the City, absent a more widespread regional increase, will make hospitality jobs in Baltimore City more attractive not just to City residents. This is particularly worrying for Baltimore's young people and residents from underserved or at-risk communities, individuals who would likely face competition from more experienced workers already performing comparable jobs elsewhere and for whom transportation into the city is a viable option.

For all of these reasons, and while we understand the intended merits of the bill, we would seriously caution any increase in Baltimore City's minimum wage as proposed and certainly absent a regional or State requirement.

Submitted respectfully,

Al Hutchinson
President & CEO

March 1, 2017

To: Honorable Council President Bernard C. "Jack" Young, Labor Committee Chair Shannon Sneed, and members of the Council

From: Al Hutchinson, President CEO, Visit Baltimore

Re: Council Bill 17-0018, Labor and Employment – City Minimum Wage

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As the 501(c)6 membership-based Destination Marketing Organization charged with driving economic impact through the attraction of conventions, group and leisure visitors, Visit Baltimore had initially taken no formal position on Council Bill 16-0655 – electing instead to defer to the allied organizations representing industry sub-sectors within our membership. Since this time, we have gained additional insights as to how such a bill could not only adversely affect businesses and residents engaged in our meetings and tourism industry but also threaten our destination's overall competition position. As such, we would like to share our official position on Council Bill 17-0018 as follows:

1. **Visit Baltimore stands behind the oppositions positions taken by the Maryland Hotel & Lodging Association, the Restaurant Association of Maryland and the Maryland Retailers Association.** These allied associations represent the core of our hospitality and tourism industry as well as a significant majority of Visit Baltimore's membership network (57%) – we trust their voices as the subject-matter experts for how legislation will affect their respective business operations. Furthermore, concerns raised by these organizations were echoed by the members of the Baltimore Convention & Tourism Directors. *According to a June 2016 e-survey of Visit Baltimore's Board of Directors, 89.7% of respondents either strongly opposed or somewhat opposed a Council Bill imposing a $15 Minimum Wage in Baltimore City. These respondents represented the sub-industry sectors including Accommodations, Restaurants/Caterers, Agencies/Non-Profits, Event Management and Healthcare.*

2. **Visit Baltimore is concerned that this legislation will threaten Baltimore's competitive position in general and, in particular, our appeal as a "high value" (*value defined as spanning Financial, Convenience and Service factors*) convention and meetings destination.** According to reports by City agencies and organizations including the BDC, an in addition to overall increased labor costs, the bill would most likely lead to increased prices for goods and services, reduced employment and possible relocation or closure of some businesses. This is worrying because:
    - Industry reports show that the top barriers to meeting ATTENDEES are cost, time and

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Baltimore.org

C

Baltimore city	Number of Establishments	Percent	Sum including row above
Total establishments	12,377		
1 to 4 employees	6,414	51.82%	
5 to 9 employees	2,234	18.05%	69.87%
10 to 19 employees	1,636	13.22%	83.09%
20 to 49 employees	1,238	10.00%	
50 to 99 employees	453	3.66%	
100 to 249 employees	274	2.21%	
250 to 499 employees	77	0.62%	
500 to 999 employees	25	0.20%	
1000 employees or more	26	0.21%	

Note: This is a search all industries as defined the Bureau of Labor Statistics

Source 2014 County Business Patterns from the Census.Gov website http://factfinder.census.gov/

Avg # of employees	Projected total employees	Total under 50	Percent	Total 50 & over	Percent
2.5	16,035	98,106	26%	282,402	74%
7	15,638	employees		employees	
14.5	23,722				
34.5	42,711				
74.5	33,749				
174.5	47,813				
374.5	28,837				
749.5	18,738				
1000	110,555	* - see next sheet			

Baltimore

	Small	Regular Employers	MARYLAND WAGES
7/1/17	9.25	9.25	9.25
7/1/18	10.10	10.10	10.10
7/1/19	10.70	11.25	10.10
7/1/20	11.30	12.50	10.10
7/1/21	11.90	13.75	
7/1/22	12.50	15.00	
7/1/23	13.10	annual COLA	
7/1/24	13.70		
7/1/25	14.30		
7/1/26	15.00		
7/1/27	annual COLA		

A

Single Parent Household at the Maximum Increase to $10.10 in State Wage Projection:
$21,008 in annual gross income, or $1,750.67 per month

Expense Type	Expense Amount
Federal, State, and Local Taxes	-$5,912.21 per year, or $492.68 per month
Average Single Bedroom Rent in Baltimore	-$11,136.00 per year, or $928 per month
Bus Pass for the Year	-$816.00 per year, or $68 per month
Food, at 11.4% of Budget After Taxes	-$1,720.92 per year, or $143.41 per month
Childcare, at MD Average of 38.28% of Budget After Taxes	-$5,778.60 per year, or $481.55 per month
Utilities, at the Monthly Baltimore Average	-$1,781.16 per year, or $148.43 per month
Clothing, at 2.9% of Budget After Taxes	-$437.76 per year, or $36.48 per month
Health Insurance	Covered by Medicare and MCHP
TOTAL EXPENSES:	$28,294.37
TOTAL BUDGET SURPLUS:	-$7,286.37 - $607.20/month average

Two Parent, Two Child Household at the Maximum Increase in State Wage Projection:
$42,016 in annual gross income, or $3,501.33 per month

Expense Type	Expense Amount
Federal, State, and Local Taxes	-$11,876.89 per year, or $989.74 per month
Average Two Bedroom Rent in Baltimore	-$15,240.00 per year, or $1,270.00 per month
Two Bus Passes for the Year	-$1,632.00 per year, or $136 per month
Food, at 11.4% of Budget After Taxes	-$3,435.84 per year, or $286.32 per month
Childcare, at MD Average of 38.28% of Budget After Taxes	-$11,537.28 per year, or $961.44 per month
Utilities, at the Monthly Baltimore Average	-$1,781.16 per year, or $148.43 per month
Clothing, at 2.9% of Budget After Taxes	-$874.08 per year, or $72.84 per month
Health Insurance	Covered by Medicare and MCHP
TOTAL EXPENSES:	-$47,088.97
TOTAL BUDGET SURPLUS:	-$5,072.97 - 422.74/month average

Single Occupant Household at the Maximum Increase in State Wage Projection:
$21,008 in annual gross income, or $1,750.67 per month

Federal, State, and Local Taxes	-$5,912.21 per year, or $492.68 per month
Average Single Bedroom Rent in Baltimore	-$11,136.00 per year, or $928 per month
Bus Pass for the Year	-$816.00 per year, or $68 per month
Food, at 11.4% of Budget After Taxes	-$1,720.92 per year, or $143.41 per month
Utilities, at the Monthly Baltimore Average	-$1,781.16 per year, or $148.43 per month
Clothing, at 2.9% of Budget After Taxes	-$437.76 per year, or $36.48 per month
Health Ins., at 3rd Cheapest of 9 Options for 35 y/o female	-$1,344.36 per year, or $112.03 per month
TOTAL EXPENSES:	-$23,860.13
TOTAL BUDGET SURPLUS:	-$2,852.13 - 237.68/month average

Minimum wage tidemore group.doc

Research Provided by Tidemore Group
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Ben Groff: bengroff@tidemore.com
516 North Charles Street, Suite 212
Baltimore, MD 21201

Appendices

A. Charts of Annual Deficits of 3 typical households once earning $21,008 gross income, State's maximum Minimum Wage (without COLA) by July 1, 2018.

B. Comparison of Baltimore's Proposed SMALL EMPLOYER & REGULAR EMPLOYER Minimum Wage schedules and the State of Maryland's.

C. Breakdown of number of Employers/Employees in Baltimore's proposal by Small & Regular Employers:

   Small Employers (93% of total employers):
   under 50 employees: 98,106 employees, 26% of Baltimore workforce

   Regular Employers (7% of total employers):
   50 and over employees: 282,402 employees, 74% of Baltimore workforce

BALTIMORE CITY COUNCIL

MARY PAT CLARKE
14th District

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City Council Bill 17-0018 Labor and Employment – City Minimum Wage

Outline of Major Provisions

1. Enacted to provide start-up time for new Baltimore City and Minimum Wage administrations and local employers.
   Complies with State Minimum Wage in FY 2018 and 2019:
   July 1, 2017. $9.25 (same as MD)
   July 1, 2018. $10.10 (same as MD)

2. Establishes 2 schedules for achieving $15 Baltimore Minimum Wage:
   Local raises begin on July 1, 2019 and reach $15 (with subsequent annual COLAs) by 2026 for Small Employers & by 2022 for Regular Employers. (See Appendix B. below.)

3. Per President Young's incorporated amendments:
   - Redefines 2016's Small Employer at "less than 25 employees"
   - to "less than 50 employees" and increases Small Employer schedule by 2 years, to 2026.
   - eliminates all increases for Tipped Workers.
   - Creates exemptions for paid interns and work study students and for all workers below 21 years of age.
     (These workers revert to State of Maryland minimum wage.)

4. Amendments to current Minimum Wage Commission practices:
   - Defines professional categories of the 5 members of the Minimum Wage Commission
     - 2 Representatives from the labor community
     - 2 Representatives from community-based organizations; and
     - 1 Representative from the business community
   - Requires current workplace postings of Commission to expand from just English to Spanish and any other language of 5% or more of the Baltimore workforce.
   - Requires increased community-based outreach, education, and advocacy to workers and employers by the Commission.
   - Clarifies and strengthens rules against retaliation of employees for seeking Commission redress of grievances.

COMMUNITY BEHAVIORAL HEALTH
CBH
ASSOCIATION OF MARYLAND

Testimony on Bill 17-0018
Labor and Employment – City Minimum Wage

Labor Committee
Baltimore City Council
March 1, 2017

Position: Oppose

The Community Behavioral Health Association of Maryland (CBH) is the statewide professional organization for community-based programs offering mental health and substance use treatment, residential services, and psychiatric rehabilitation. Our 53 members serve nearly three-quarters of the 190,000 individuals using Maryland's public behavioral health system, offering a continuum of specialty supports to individuals with behavioral health needs, including community-based treatment, psychiatric rehabilitation, residential services, vocational supports, crisis stabilization, mobile treatment services, health homes, and a range of evidence-based practices.

Our members' reimbursement is set by the state, and it is not adjusted to take account of rising costs. In fact, in inflation-adjusted dollars, reimbursement for therapy services has declined 25% since 2000. This decline in investment has taken place over a period when demand has been rising; over the last decade, suicides in Maryland have increased 19% while drug and alcohol overdoses have climbed an astonishing 67%. As a result of this mismatch between need and state spending, over 40% of our members are operating at a deficit.

When providers operate with narrow margins or at deficits, their ability to expand treatment and provide accessible care is severely hampered. As Behavioral Health Services Baltimore (BHSB) recently noted, Baltimore already needs but lacks sufficient treatment capacity, leaving 7,300 individuals without needed opioid treatment.

Having a strong, caring workforce is essential to the well-being of the vulnerable individuals we serve. A stronger minimum wage would help ensure a stronger workforce for the community behavioral health sector – but unless our state-set payments are adjusted to account for rising staff wages, passage of this bill would put community mental health and addiction services on a collision course that would reduce access to treatment. This would occur at the same time that behavioral health providers are facing other upheavals in healthcare, including the end of the Medicaid expansion and conversion of Medicaid to a block grant program.

We are in the midst of an epidemic, and must stay focused on maintaining access to treatment. We respectfully urge you not to pass a citywide minimum wage, leaving behavioral health providers with no recourse to sustainability and maintaining access to treatment.

18 Egges Lane ◊ Catonsville, MD 21228-4511 ◊ (410) 788-1865 ◊ mdcbh.org

But enough about polls. What this is really all about it is economic inequality. We cannot continue to leverage this city on the backs of workers. As housing costs are going up, wages have remained stagnant. BGE gets a rate increase, but workers go without one? We cannot say we truly care about all the residents of Baltimore City, if we don't care about the economic inequality particularly in our communities of color.

This bill is just one step in the right direction to help residents of this City to provide for themselves and their families. And It's not about giving people anything they don't deserve. Minimum wage workers are folks who have graduated from college, they are parents, they are adults, they are taxpayers and they deserve a fair wage.

In our City, we have a unique moment in history, the next time we make national news it won't be for images of violence and fires burning but it could be images of all you and the folks in this room when we pass this bill and raise wages for the people that need it the most. That's why we strongly support a favorable vote on this legislation.

TESTIMONY BEFORE THE BALTIMORE CITY COUNCIL LABOR COMMITTEE

Wednesday, March 1, 2017

I am Girume Ashenafi and I am a member of the Fight for $15 Baltimore coalition which is comprised of faith, labor, community organizations and small business owners across the city who support raising wages for over one thousand workers here in Baltimore City. Over the past year we have been growing this coalition and hearing real life stories from residents all over town, some of which you will hear from today.

As we've been doing this work we discovered some disturbing trends within the City's workforce. Many full time workers are relying on public assistance to survive, they are living in shelters or receiving food stamps because their employer is paying poverty level wages. We believe that no one should work full time and be on public assistance. A person getting up going to work every day shouldn't have to make the choice between groceries and rent.

Tonight you will hear from workers who are barely surviving, living paycheck to paycheck but you are also going to hear from business owners who would rather send their workers to the city and state for public assistance instead of paying wages that can actually support their families. Business owners are going to say they can't keep their doors open if we raise wages, we will move out of the city. We've heard these same lines at every minimum wage hearing in cities across the country and the evidence just doesn't support it.

A little less than a year ago, the DC City Council passed a bill to raise the District's minimum wage to $15 by 2020. They heard all the same opposition testimony you will hear tonight, but they decided to vote in the best interest of their residents.

The BDC's own report shows there is support for this legislation in the business community. 25%of businesses said they support the increase and 36 %didn't respond at all. And of those that support, 48% said the proposed legislation will have no impact on their business. So let's not allow the few businesses present today to outweigh the majority of businesses across the city. We have business owners here today testifying in support because they know its makes good economic sense for Baltimore.

Furthermore, our coalition commissioned our own poll – done by a reputable, nationally known pollster, The Mellman Group. The Mellman Group's poll results show that 93% of Baltimore City voters support raising the minimum wage to $15 by 2022. In fact, that support did not dip below 80% for any of the demographics they examined.

But, our coalition is deeply troubled by a provision added to the bill by the bill sponsor. That provision calls on workers 21 and under to be completely exempt from this legislation. Imagine a worker who is 22 years old will be working beside a worker --- another adult -- doing the same job and making five dollars less. To us this completely unreasonable.

And voters agree, our poll showed that a clear majority of Baltimore City voters – 56% - oppose exempting young workers from the $15 minimum wage. Only 37% of voters thought that would be okay.

Calculated Using U.S. Census Bureau, 2012 Economic Census

RESTAURANT ASSOCIATION MARYLAND

Council Bill 17-0018
Labor and Employment – City Minimum Wage

March 1, 2017

Position: OPPOSE

Madame Committee Chair and Members of the City Council:

We strongly oppose Council Bill 17-0018. This legislation would significantly increase the minimum wage in Baltimore City above the State level, and would result in unintended negative consequences for City businesses and employees.

By 2022, Baltimore City's minimum wage for most businesses would be nearly 50 percent higher than State minimum wage if this proposed legislation were enacted. It would create an uneven playing field between City businesses and those in surrounding jurisdictions, forcing many businesses to close or relocate outside the City. A higher minimum wage would also deter potential new businesses from opening in the City. It is also a bad idea to enact a higher minimum wage in the City when we do not yet know the impact that the State minimum wage of $10.10 will have on businesses once fully phased in by July 2018.

In addition to the substantial labor cost increase for entry-level workers, passage of this legislation would also force employers to increase wages for existing employees, as starting wages would approach the wage levels of more experienced staff. To maintain good employee morale, employers would be forced to increase hourly wages across-the-board, as experienced employees will expect comparable raises. This reality compounds the higher labor costs associated with this legislation.

Contrary to popular belief, price increases cannot fully offset the massive hike in labor costs proposed by this legislation because businesses cannot risk raising prices when customer traffic in the City continues to be low. Passage of this legislation will force many employers to eliminate jobs because paying such high minimum wages to unskilled, entry-level workers will be unsustainable for businesses that utilize such labor. **If passed, this legislation will ultimately hurt the very people it is intended to help.**

Mandates that significantly increase the cost of labor impact our industry disproportionately. The restaurant industry is extremely labor-intensive and requires 4 times more labor per $1 million in sales than the average of most other industry sectors in the State. The attached information (using U.S. Census and Bureau of Labor Statistics Data) clearly illustrates this important distinction. With a narrow average profit margin of only 4 percent, every $1,000 in increased business costs requires $25,000 in increased sales just to break even. The average full-service restaurant with $1 million in annual sales nets about $40,000 in profit. Such a significant increase in labor costs, as proposed by this legislation, will severely restrict our ability to grow our businesses in the City and continue to provide job opportunities.

For these reasons, we oppose this legislation and urge you to reject it.

Sincerely,

Melvin R. Thompson

Melvin R. Thompson
Senior Vice President

Restaurant Association of Maryland ■ 6301 Hillside Ct Columbia, MD 21046 ■ 410.290.6800 ■ FAX 410.290.6882

FF$15
BALTIMORE

FAST FACTS on the Baltimore City Minimum Wage Bill

What this bill does:

- Increases the minimum wage to $15 per hour by 2022. The current minimum wage is $8.75.
- Phases in the $15 minimum wage by 2026 for businesses with fewer than 50 employees.
- Indexes the minimum wage after 2022 so that it automatically rises with inflation and as costs for housing, utilities, goods and services increase.
- Establishes a strong administrative enforcement structure so that our city's lowest paid workers have resources to fight back against wage theft and retaliation.

Who earns the minimum wage in Baltimore City?

- Nearly 100,000 workers – 20 percent of all employees – would be affected by an increase to $15 per hour.
- 20 percent of Baltimore residents qualify for food stamps and other public benefits and many of these residents are working.
- Approximately 24 percent of Baltimore residents currently have an income below the poverty level.
- The Economic Policy Institute's Family Budget Calculator estimates that a single worker with one child in the Baltimore region needs to earn $28 per hour to meet basic needs.

Increasing the minimum wage doesn't cause job loss:

- More than 30 cities in 10 states have enacted higher local minimum wages in recent years and have found that they can raise local wages without job losses.
- In Seattle, the first major city to adopt a $15 wage, the region's unemployment rate hit an eight-year low of 3.6 percent in August 2015, significantly lower than the state unemployment rate of 5.3 percent.
- Small businesses will benefit from a higher minimum wage because low-wage workers spend their increased pay immediately at local businesses.
- A $15 minimum wage would likely reduce employee recruitment and training costs for low-wage industries currently plagued by high (and costly) turnover.

For more information, visit: www.ff15baltimore.org

Myth: The minimum wage is an entry wage and should remain low.

Fact: The workers in Baltimore City who would benefit from this bill earn 54.6 percent of their family's income. Among affected workers with families, approximately 20 percent are their family's sole provider.

Source: Economic Policy Institute,
Raising Baltimore's minimum wage to $15 by July 2020 would lift wages for 98,000 working people, May 4, 2016

Myth: Working adults don't get public assistance.

Fact: Nearly two-thirds of Baltimore workers in poverty or near poverty would get a raise under a minimum-wage increase to $15.

Source: Economic Policy Institute,
Raising Baltimore's minimum wage to $15 by July 2020 would lift wages for 98,000 working people, May 4, 2016

Myth: $15 is too much.

Fact: The Economic Policy Institute's Family Budget Calculator estimates that a single worker with one child needs approximately $28 per hour to meet basic needs.

Source: www.epi.org/resources/budget/

For more information, visit: www.ff15baltimore.org

FF$15
BALTIMORE

Raising the Minimum Wage – Get the Facts!

The Fight for $15 Baltimore campaign is advocating for raising Baltimore City's minimum wage from the current $8.75 to $15 by 2022, then indexing the wage to inflation. Nearly 100,000 workers in Baltimore City would benefit from higher wages, lifting families out of poverty and reducing reliance on public assistance programs like food stamps.

Myth: Raising the minimum wage will cause job loss.

Fact: The most rigorous research shows minimum wage increases do not reduce employment. Two decades of research on the impact of minimum wage increases shows that there is little or no effect of minimum wage increases on job growth.

Source: Center for Economic Priorities,
Why Does the Minimum Wage Have No Discernible Effect on Employment, February 2013

Myth: Raising the minimum wage will hurt the economy.

Fact: The first jurisdictions phasing their minimum wages up to $15 are seeing the benefits of increasing the minimum wage substantially outweigh the likely modest costs. In Seattle, the first major city to adopt a $15 wage, the region's unemployment rate hit an eight-year low of 3.6 percent in August 2015, significantly lower that the state unemployment rate of 5.3 percent.

Source: National Employment Law Project,
The Case for Raising the City of Baltimore's Minimum Wage to $15 by 2020, April 2016

Myth: Raising the minimum wage will hurt small businesses.

Fact: Small businesses will likely benefit from a higher minimum wage because low-wage workers tend to spend their increased earnings on basic needs at local businesses that rely on consumer spending.

Source: National Employment Law Project,
The Case for Raising the City of Baltimore's Minimum Wage to $15 by 2020, April 2016

Myth: Most minimum wage workers are just teenagers working entry-level jobs.

Fact: Almost 96 percent of workers who would benefit from the Baltimore minimum wage bill are 20 or older. About four-fifths of affected workers are 25 or older. More than 50 percent of workers have at least some college experience, with 29 percent having some college experience or an associate degree and 23.6 percent having a bachelor's degree or higher. Approximately 329,000 Baltimore City children have at least one parent who would be affected by the higher minimum wage

Source: Economic Policy Institute,
Raising Baltimore's minimum wage to $15 by July 2020 would lift wages for 98,000 working people, May 4, 2016

Kevin Blodger, Union Craft Brewing: "Raising Baltimore's minimum wage would give people more income to spend at our business and others. We currently pay our workers above minimum wage and benefit from lower turnover, happier and more productive employees, and in turn, happy customers who come back again and again. By paying more we actually lower our costs overall and boost our bottom line. It's a win-win."

Shawn Lagergren, Owner, Tooloulou restaurant: "For Baltimore to thrive, people working full-time have to earn wages they can live on. If they don't, our economy, our businesses and our people won't flourish. Raising the minimum wage will put more money into customers' pockets, helping us grow our businesses, build our economy and revitalize neighborhoods. I strongly support gradually raising Baltimore's minimum wage to $15."

Alissa Barron-Menza, Vice President, Business for a Fair Minimum Wage: "Phasing in a $15 minimum wage will boost consumer spending, foster a more stable, productive workforce and level the playing field for local businesses that already pay higher wages. Businesses will see cost savings from lower employee turnover and benefit from increased productivity, product quality and customer satisfaction. Baltimore's business community, its economy and its people will benefit from raising the wage floor."

Business leaders are available for comment and/or broadcast bookings. To schedule an interview, contact Erin Musgrave at erin@emcstrategies.com or (530) 864-7014.

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Business for a Fair Minimum Wage is a national network of business owners and executives and business organizations that believe a fair minimum wage makes good business sense. www.businessforafairminimumwage.org

BUSINESS for a FAIR MINIMUM WAGE

For Immediate Release: March 1, 2017

CONTACT:
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(530) 864-7014
erin@emcstrategies.com

Business Owners to Testify in Support of $15 Minimum Wage at Baltimore City Council Hearing

Local business owners available for comment and/or broadcast bookings at 4pm today, prior to 5pm hearing, and upon request

Baltimore, March 1, 2017 — Local business owners will testify today in support of gradually raising Baltimore's minimum wage to $15 at a public hearing held by the Baltimore City Council. The proposed legislation would gradually increase Baltimore's minimum wage to $15 by July 1, 2022 for businesses with more than 50 employees, and to $15 by 2026 for businesses with fewer than 50 workers.

Owners of local companies—from restaurants and food manufacturing to bike shops—say that raising the minimum wage will boost businesses, neighborhoods and the economy as workers have more money to spend throughout Baltimore. They also stress that businesses will benefit from lower employee turnover and increased productivity and customer satisfaction.

Andrew Buerger, Owner, B'More Organic: "Baltimore needs a raise. People know you don't value them when you pay them and treat them poorly. When you invest in your employees, they invest in your business. We can't say we're going to improve Baltimore and then pay people too little to live on. Low wages depress consumer demand and businesses and the community suffer as a result. No one working full-time should live in poverty."

Josh Keogh, Co-Owner, Baltimore Bicycle Works: "We know from experience that paying a fair wage has been a great investment for us. In this day and age, when just about anything is available online, we depend on excellent customer service to get people in the door, keep them coming back, and tell their friends and family about us. Gradually raising the minimum wage to $15 will give customers more money to spend at local businesses like ours and that will be good for our economy and our city."

Penny Troutner, Owner, Light Street Cycles: "Raising the minimum wage is vital for revitalizing Baltimore. Too many people have too little purchasing power. Workers and their families need more income and less financial stress. Businesses need customers with money to spend. Raising the minimum wage is an investment that will help our businesses and neighborhoods thrive and reverse the rising inequality that is driving us apart."

In addition to the above members of Business for a Fair Minimum Wage testifying today, these business leaders also commented in support of raising the city's minimum to $15:

The talking points of those opposed to the increase fall flat: only 13% think businesses will leave Baltimore in response to the increase; just 17% believe there will be fewer jobs as a result of the increase; only 19% expect businesses to lay off workers if the minimum wage is raised; and only 19% believe the raise in minimum wage will draw workers from outside the city who will take jobs away from Baltimore residents.

Indeed, after hearing statements from both sides[1], only 13% think a $15 dollar minimum wage will hurt the city's economy and cost jobs, while 83% believe it will help the city's economy, create jobs, and give residents a living wage that will allow them to spend more money on local businesses.

Across gender, age, race, and geography, Baltimore voters strongly support increasing the miniumum wage to $15 dollars an hour by 2022. With support so widespread and intense, particularly among voters who believe that increasing the minimum wage will generate important economic benefits for residents and with little downside, those who stand against raising the minimum wage risk being the target of voter anger and frustration.

****

Named "Pollster of the Year" three times by the American Association of Political Consultants, The Mellman Group has provided sophisticated opinion research and strategic advice to political leaders, public interest organizations, Fortune 500 companies, and government agencies for over thirty years.

[1] Which comes closer to your point of view: [ROTATE STATEMENTS]
__A $15 dollar minimum wage will help the city's economy, and create jobs in Baltimore, by giving residents a living wage that will allow them to spend more money on local businesses. OR __A $15 dollar minimum wage will hurt the city's economy, and cost Baltimore jobs, because businesses will leave the city because of the higher costs.

THE MELLMAN GROUP
RESEARCH BASED STRATEGY

To: SEIU-1199
From: The Mellman Group
Re: Our Recent Baltimore $15 Minimum Wage Poll
Date: February 28, 2017

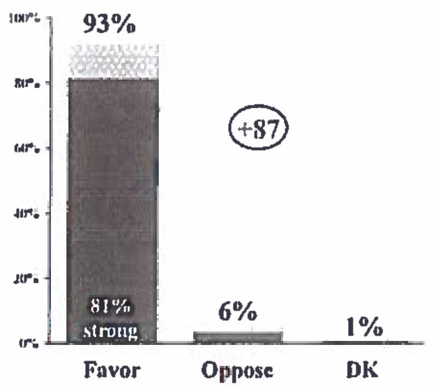
This analysis represents the findings of a survey of 400 registered voters in the City of Baltimore. The survey employed a registration-based sample which included cell phones and landlines and used live interviewers. Interviews were conducted February 11-16. The margin of error for each question is +/-5.0 percentage points at a 95% level of confidence. The margin of error is higher for subgroups.

<u>Support for raising the minimum wage in Baltimore to $15 dollars an hour by 2022 is over-overwhelming and intense.</u> Not only do nine out of ten voters favor the increase, but eight out of ten *<u>strongly</u>* favor the minimum wage hike.

As the chart demonstrates, support is broad and deep across gender, age, race and geography. In fact, support does not dip below 80% in any demographic group we examined.

Voters Across Race, Gender, Age And Parts Of The City Support Increasing The Minimum Wage

Do you favor or oppose increasing the minimum wage in the City of Baltimore to $15 dollars an hour by 2022?



	Favor	Oppose
Black	98%	2%
White	83%	14%
Men	93%	6%
Women	93%	6%
<40	94%	5%
40-59	93%	6%
60+	90%	8%
South	92%	8%
Central	90%	8%
West	97%	2%
North	91%	8%

Voters also want to increase the minimum wage to $15 dollars an hour for tipped workers. Seventy percent (70%) favor "increasing the minimum wage for tipped workers, which is currently $3.63 an hour, to $15 dollars an hour by 2022." Only 25% oppose increasing the minimum wage for tipped workers.

There is also majority opposition to exempting younger workers from a $15 minimum wage. By a 17-point margin (56% oppose, 39% favor), voters oppose an exemption from a higher $15 minimum wage for those under 21.

Baltimoreans perceive clear benefits from increasing the minimum wage. Seventy percent (70%) think the lives of those currently earning the minimum wage will improve. Sixty four percent (64%) believe the increase will help the economy in general because people will have more money to spend.

1023 31st Street, NW • 5th Floor • Washington, DC 20007
ph 202-625-0370 • fx 202-625-0371 • info@mellmangroup.com

"Residents of Baltimore understand that paying people a fair, livable wage will give workers a shot at supporting themselves and their families," Carter said. "But they recognize that paying a higher wage to lower-income workers will also pay dividends in the local economy. A minimum wage increase is going to benefit Baltimore businesses."

The poll found that Baltimore City voters largely disagreed with the key concerns raised about increasing the minimum wage.

- Only 26 percent said it was very likely or almost certain that a wage increase would hurt small businesses; 33 percent said it was not too likely or not likely at all, while 33 percent said it was somewhat likely.
- 60 percent said it was not likely or not too likely that businesses would leave Baltimore City because of a $15 wage.
- By a margin of 64 percent to 28 percent, voters agreed that small businesses should pay the same wage as larger employers.

The poll has a margin of error of 5 percentage points.

The Fight for $15 Baltimore Coalition, made up of unions, workers and other groups, will make the case for the $15 minimum wage during today's hearing before the Council's Labor Committee.

The committee hearing will begin at 5 p.m. in City Hall, 100 Holliday Street, Baltimore, Md. 21202.

Coalition witnesses, including small business owners, will be available for media interviews at 4 p.m. outside the hearing room. Contact Tom Waldron, 410-350-6637, tom@thehatchergroup.com, for information about interviews.

FOR IMMEDIATE RELEASE

Contact: Tom Waldron, Hatcher Group
410-350-6637

Baltimore City Voters Overwhelmingly Support Increasing the City's Minimum Wage to $15 an hour

93 percent of voters support the wage increase, new poll finds

NOTE: Witnesses who support the $15 wage will be available for interviews at 4 p.m. today – prior to the 5 p.m. hearing in the City Council Labor Committee

BALTIMORE (March 1, 2017) – In an overwhelming show of support for working people, more than nine out of 10 registered voters in Baltimore City approve of increasing the minimum wage in the city to $15 an hour, according to a new poll by a respected national survey firm.

The poll of 400 registered voters by The Mellman Group found that 81 percent *strongly* support the $15 minimum wage, with another 11 percent in support. Only 6 percent were opposed, and 1 percent did not know.

"The people of Baltimore have spoken loud and clear that they want workers in the city to be paid a fair, living wage," said Charly Carter, Director of Maryland Working Families, a member of the Fight for $15 Baltimore Coalition. "The poll mirrors what we hear every day in the community. There is overwhelming support for a $15 minimum wage and it's time that the City Council and mayor listen to the voters and do what's right for working people."

The Baltimore City Council is considering legislation that would increase the minimum wage to $15 an hour by 2022. Businesses with fewer than 50 workers would have until 2026 to phase in the increase.

The poll found solid opposition to a section of the legislation that would exempt workers under the age of 21 from the $15 wage. In all, 56 percent of voters oppose the exemption for workers under the age of 21, compared to 39 percent who support it.

"I have had the lights and water turned off and I have to rely on food stamps to feed my three kids," said Regina Baker, a single mother of three and 32BJ SEIU member who works as a security officer downtown. "A $15 minimum wage would mean I could move somewhere safe and without gunfire outside my door, but none of my kids can afford to live on their own if Council excludes workers under the age of 21."

Overall, 61 percent of voters said a $15 minimum wage would strongly help the city's economy with another 22 percent saying it would help the economy.

[Abilities Network®]

SEEING ABILITIES NOT DISABILITIES.

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Testimony re: Council Bill 17-0018: Labor and Employment – City Minimum Wage

Position: Opposed

My name is Lee Kingham, the CEO of Abilities Network, a statewide organization that provides services to individuals with Developmental Disabilities and their families. In Baltimore City we currently have 41 individuals employed in the community. Employers include: Center Plate at 1 W. Pratt Street, 2 individuals at Eddie's in Roland Park, Foot Locker at 2401 Liberty Heights Avenue, Harris Teeter in Canton, and Petco at 6325 York Road. As you can see, we support individuals working in the Park Heights area, Roland Park, several individuals in Canton. We also support these individuals to learn to live as independently as possible in the community helping them with support in the area of budgeting, socializing, finding affordable housing, any skill that they would need to live and work successfully.

The Developmental Disabilities Administration funds these services and sets rates based on the services offered to each individual. We have no control over these rates and our starting salaries already severely strain our budget. It is imperative that we pay above minimum wage in order to attract individuals who can provide the highest quality of service. Direct support professionals are the backbone of the supports that DDA-licensed community agencies provide. Recruiting is already a struggle. These are demanding positions that require staff who own a reliable vehicle and are able to exercise independent judgment and critical thinking skills while working unsupervised in the field. We could not attract qualified workers for these positions at minimum wage. If this bill were to pass, we would be unable to pay our staff the City's minimum wage, much less anything above it, without significant supplemental funding from the City. We cannot operate at a loss. Without supplemental funding, this bill will force us to phase out services altogether in Baltimore City.

Believe me – as an employer in the City, the CEO of an organization that provides supports to individuals with disabilities in the City, and as a City living in District 14, Councilwoman Clark's District, I would love nothing more than to pay our hard-working staff at a higher wage. We would hope the minimum wage increase would allow us to pay our hard working staff a living wage and pull the individuals we support above the poverty line. Few, if any, providers will be able to supplement these wages to a level that is sufficiently above the local minimum Unfortunately, as the bill stands now, its impact will do more harm than good to the city residents with disabilities whom we serve.

Thank you so much for listening to my concerns. I hope you will consider them as you review this Bill.

MARYLAND NONPROFITS STANDARDS FOR

MACS
Maryland Association of Community Services

ph 410-740-5125
ph 888-838-6227

March 1, 2017

CITY OF BALTIMORE COUNCIL BILL 17-0018

Labor and Employment – City Minimum Wage

Position: Oppose

The Maryland Association of Community Services (MACS) is a non-profit association of over 100 agencies across Maryland serving people with intellectual and developmental disabilities (I/DD). MACS members provide residential, day and supported employment services to thousands of Marylanders, so that they can live, work and fully participate in their communities.

It is important to note that MACS' opposition to Council Bill 17-0018 is not grounded in opposition to paying higher wages. On the contrary, DDA-licensed providers are dependent upon the direct support professionals who make up the backbone of the DDA service delivery system, and are struggling to provide competitive salaries and benefits packages in order to attract and maintain a skilled, high-quality workforce.

However, unlike other businesses, DDA-licensed providers are prohibited from charging for their services and from passing on cost increases to the people they serve. Most providers already operate on thin margins due to a state reimbursement rate that hovers near minimum wage for direct support workers. Thus, while MACS supports the spirit and intent of the legislation, absent an increase in funding from the City, implementation of the legislation could result in dire consequences for many providers who have a statutory obligation to protect the health and safety of the individuals with disabilities they support.

When the General Assembly passed the Minimum Wage Act of 2014, the state took responsibility for the impact on the I/DD community and included a mandate to increase funding for I/DD community services in order to partially keep pace with the increased minimum wage. Similarly, when Montgomery County raised its minimum wage, it provided a $13.8 million supplement to I/DD providers. The Prince George's County Council has not provided such a supplement to providers and many are facing difficult questions regarding their ability to continue to support people with I/DD in Prince George's County.

The current DDA reimbursement is $10.94/hour. It is very important to understand that this is the rate for ALL direct support staff regardless of tenure; it is NOT a starting wage. This rate must cover *the range* of wages from entry level to those with the most seniority; it is *not* the starting wage.

If this bill passes without additional funding for I/DD providers, **by FY 20, the minimum wage in Baltimore City will be higher for businesses with 50 or more employees than the state reimbursement rate for community services**. It will simply not be possible to support an entire direct support workforce at this rate. Few, if any, providers will be able to supplement these wages to a level that is sufficiently above the local minimum wage. Such a result will seriously undermine the ability of providers to continue to meet the needs of people with I/DD in Baltimore City.

For all of the above reasons, we urge an unfavorable report.

For more information, contact Lauren Kallins, lkallins@macsonline.org, 410.241.6870

Since 2014, efforts to obtain state funding adjustments to allow provider pay scales to keep pace with the state's increased minimum wage have had at best mixed results. Significantly, state rate-setters have not provided adjustments to account for the locally-enacted minimum wage increases in Prince Georges and Montgomery Counties.

Government funding is overall the largest source of operating support for most nonprofit human service providers in Maryland. Unlike other segments of the economy that may adjust pricing to meet costs, the revenues of many nonprofit providers of important health-related and other human services are limited to allocations in government budgets and in some cases tied to inflexible multi-year grant agreements. The rate of increase required, even in the phase-in of this bill, far exceeds both past and foreseeable growth in many state reimbursement rates. Many of these are tied to the state's Medicaid program, where future levels of federal support are now in jeopardy.

As you consider or proceed to enact Council Bill 17-0018, we urge you to recognize these concerns, and determine at the same time what the Baltimore City government can do to prevent the disruption or reduction of services that are critical to vulnerable families and individuals in the City.

MARYLAND
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February 27, 2017

To: President and Members of the Baltimore City Council

From: Heather Iliff, President & CEO
Henry Bogdan, Public Policy Director

Re: City Council Bill 17-0018, Labor and Employment – City Minimum Wage

Position: **Concerns** *

Maryland Nonprofits is a statewide organization comprised of 1200 member nonprofit agencies, associations and institutions, and our purpose is to strengthen, educate and engage nonprofits so they can achieve their missions of public service. A significant number of these are located or provide services in Baltimore City.

These organizations understand better than most the importance of correcting the growing problem of income inequality, both nationally and here in Maryland. Nonprofit advocacy and service organizations are regularly the leading advocates for programs to support disadvantaged populations and to increase supports for the working poor, including the Earned Income Tax Credit (EITC). Our association has historically worked to protect state funding for these services, to improve Maryland's EITC, and we supported the passage of the Maryland Minimum Wage Act of 2014, that is still in the process of implementation.

However, in supporting that 2014 legislation at the State level, we also expressed concern that state-funded contracts and reimbursement rates for the salaries of direct service workers providing care to vulnerable populations have been falling behind costs and inflation for more than a decade.

Two national studies earlier in this decade by the Urban Institute of government–funded human service providers found that in Maryland and elsewhere this 'underfunding' most commonly results in organizations borrowing or drawing down reserves, reducing staff, and limiting staff salaries. Service reductions are typically the last resort, but were reported in some cases.

We do not see an exemption for nonprofits as a viable solution. Nonprofits would have too much difficulty competing for hard-to-fill positions.

eradicating the cycles of homelessness and poverty that exist and dismantling the underlying stigmatization and forms of oppression that support these cycles.

Thank you for the opportunity to testify here today, and I am happy to answer any questions.