



**CATHERINE E. PUGH**  
MAYOR

*100 Holliday Street, Room 250  
Baltimore, Maryland 21202*

March 24, 2017

The Honorable President &  
Members of the Baltimore City Council  
City Hall  
100 North Holliday Street  
Suite 400  
Baltimore, MD 21201

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

Dear Mr. President and Members of the Council:

After careful consideration and deliberation, I have decided to veto **City Council Bill #17-0018, Labor and Employment – City Minimum Wage.**

The recent news of our declining population has added to this decision. All indications are that if the current minimum wage legislation is implemented - like residents who have moved to neighboring jurisdictions - businesses, small and large, will choose to do the same.

Among the factors that have contributed to my decision are: the impact this legislation will have on the City's budget, the negative implications it will have on the City's economy, many unaddressed issues we attempted to address through amendments, as well as serious concerns raised by residents and business owners.

I want you all to know that no one wants to see wages in our city, state and country increase more than I do. I look forward to the state-wide increase in the minimum wage to \$10.10 that I fought so hard for in Annapolis as the Senate Majority Leader. The State's minimum wage increase will take place in 2018 and I believe working families will benefit from and deserve these increased wages. Baltimore companies, corporations and City government, along with surrounding jurisdictions, are already preparing together now for these increases.

I have also had conversations with my counterparts, County Executives in the surrounding jurisdictions of Anne Arundel County, Baltimore County, Harford and Howard County. They advised that while it might mean greater opportunities for them – because businesses and organizations have warned that they would move into their counties if Baltimore took this action - they were clear that they were not advancing minimum wage increases on their own and would concur with the State's rise in the minimum wage in 2018 as required by law. The movement of any businesses to surrounding counties would only create more hardship for Baltimore residents who would then be forced to incur costs to travel outside the city. These executives have assured me that they stand with Baltimore because an economically strong City is important to the region and important to the state.

As the City's Chief Executive Officer, I have taken an oath to manage its fiscal health and well-being. According to the Department of Finance, the net budgetary impact on the City's finances is estimated as a \$115.8 million cost over the next seven years. This additional cost comes while the City has an existing structural budget deficit, additional City maintenance of effort contributions and service support for the Baltimore City Public Schools, and new costs to implement the terms of the Department of Justice consent decree with the Baltimore Police Department. An unintended consequence of this bill would be an increase on employee costs for the utility, which will require raising water bills or reducing investment in critical infrastructure. These financial risks and others that the City faces are already straining the City's budget. Signing this bill into law would only exacerbate the City's fiscal challenges and require further service reductions and layoffs in the City workforce.

I have significant reservations about the Bill's impact on business and the local economy. As a City, we already have the highest property tax rate in the state which is more than double any of our surrounding jurisdictions. We also have the highest income tax rate, the highest personal property tax rate, and the highest utility tax rate in the State of Maryland. Moreover, increasing water rates, an important, but aggressive bottle tax and a complex regulatory structure, Baltimore City already is a challenging place to operate a business. Despite those obstacles, we are seeing job growth and have attracted a number of businesses to Baltimore City in the last 24 months. However, increasing the wage rate by 50% would create a competitive disadvantage that may well be impossible to overcome. The growth that we've seen, while robust, is still nascent and I am concerned that this bill would stall, stagnate or even reverse into decline.

My goal is to bring more retail to every community of this City, especially those areas where investment has not occurred in decades. These businesses and the services that they provide should not just be in affluent communities.

An uncompetitive wage rate will make our efforts and ability of attracting and retaining neighborhood amenities more difficult or impossible.

An amendment was proposed that would have tied the increase in the minimum wage to a corresponding increase in surrounding jurisdictions. This is important not just for the competitiveness of our City businesses, but also for the local labor market. According to a previous report by the Baltimore Development Corporation, nearly 61% of low wage job workers commute into Baltimore City from surrounding counties. Raising the wage in the City alone would create more outside competition for our residents in an already competitive environment. The intended benefits for our citizens would invariably be gained by the labor force of surrounding counties. I believe that a broader regional effort, and optimally, a national effort, would be the best way to prevent this type of job gentrification or job compression.

County Executive Isiah Leggett recently vetoed a similar \$15 minimum wage bill in Montgomery County. In his message to the County Council, he cited many of the same concerns regarding his own local economy. When the

executives of one of the wealthiest counties in our state and country contemplates those issues; it not only gives me great pause, but makes clear to me that the City of Baltimore should pay close attention to those apprehensions. The County Executive also cited how a minimum wage increase in his county would impact Medicaid providers - an unintended consequence, that should not be overlooked. Since such providers cannot pass on the cost of increases through rate increases; the \$15 minimum wage was estimated to increase operation costs by 5.5% annually. This type of evaluation is key to understanding the total impact of a minimum increase in Baltimore, yet, I am not aware of a comparable study being conducted by City Council or local providers. Given the large number of hospitals in Baltimore City, this level of consideration is imperative.

In an effort to support our City Council in its deliberations on legislation, I will include in my proposed budget, a new position for the City Council President's office, a fiscal analyst who will calculate the financial impact of all legislation on the City's financial health. I believe this will be a valuable tool for our Council Members as they continue to seek ways to make Baltimore better and stronger.

Finally, in conversations with close friends, neighbors, business owners and faith leaders who live in Baltimore City, I have been asked to do what is best for Baltimore – create more jobs, provide more training and opportunities for the 76,000 people who are unemployed in our city as we prepare for the State's minimum wage increase to \$10.10 in 2018.

I understand and appreciate the Council's desire to increase the minimum wage. I hope that the City Council will be my partner in achieving these important goals.

Sincerely,



Catherine E. Pugh  
Mayor  
City of Baltimore

cc: Tisha Edwards, Chief of Staff, Office of the Mayor  
Pete Hammen, Chief Operating Officer, Office of the Mayor  
James T. Smith, Chief of Strategic Alliances, Office of the Mayor  
Karen Stokes, Director of Government Relations, Office of the Mayor