


Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: November 25, 2013

SUBJECT: Fiscal Impact Statement – “Minimum Wage Amendment Act of 2013”

REFERENCE: Bill 20-459, Draft Committee Print shared with the Office of Revenue Analysis on November 22, 2013

Conclusion

Funds are not sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill.

The two provisions of the bill that would expand the responsibilities of the Department of Employment Services (DOES) will cost \$383,000 in FY 2014 and \$1.2 million over the four year financial plan period. Implementation of these two provisions is subject to their inclusion in an approved budget and financial plan.

Background

The current minimum wage in the District is \$8.25 per hour¹ for regular employees and \$2.77 per hour for tipped employees. For tipped employees, the minimum wage must be high enough so that the wage plus gratuities will equal to the regular minimum wage.

The bill increases the District’s minimum wage for regular hourly employees in the following manner:

- \$9.50 per hour beginning July 1, 2014;
- \$10.50 per hour beginning July 1, 2015;
- \$11.50 per hour beginning July 1, 2016; and

¹ The codified minimum wage is \$7 per hour or \$1 more than the federal minimum wage, whichever is greater. The federal minimum wage is currently \$7.25 per hour. (Minimum Wage Amendment Act of 2004, effective April 8, 2005(D.C. Law 15-296; D.C. Official Code § 32-1003))

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- On July 1, 2017 and each successive July 1, the minimum wage should be increased by the increase in the Consumer Price Index for All Urban Consumers in the Washington Metropolitan Statistical Area for the preceding twelve months.

Additionally the bill creates a new process to validate that tipped employees are earning the minimum wage. DOES must provide employers a quarterly certification form, so the employers can demonstrate that tipped employees are earning the regular minimum wage through the base wage plus gratuities. DOES will audit employers to verify that the employers of tipped employees meet the wage requirements.

Lastly, the bill requires DOES to provide employers of minimum wage employees with a copy of the relevant minimum wage laws and regulations to be posted at the employer's place of business. Currently DOES would provide this information on demand. Under the provisions of this bill the minimum wage poster and accompanying information must be sent to all employees when the minimum wage changes.

Implementation of these last two provisions is subject to their inclusion in an approved budget and financial plan.

Financial Plan Impact

Funds are not sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill. The implementation of the bill will cost \$383,000 in FY 2014 and \$1.2 million over the four year financial plan period.

There are no significant costs associated with the implementation of an increased minimum wage in the District. With the exception of a small number of University of District of Columbia employees,² there are no District government hourly employees making less than \$11.75 per hour. Therefore there are no significant costs associated with the actual wage increase.

The costs associated with increasing the minimum wage will fall on the private sector, partly to be borne by employers and partly by employees. Approximately seventeen thousand workers in the District work in occupations where their wage is less than \$9.50 per hour currently. At the first increase, employers will have to increase these employees' wages, but it is not possible to say if total earnings will go up in proportion. Some workers might be asked to work fewer hours, and others may lose other benefits such as free uniforms or food.

The two new requirements on DOES--the provisions to mail the minimum wage regulations to all employers, and quarterly certification and random audits of the wage received by tipped workers will increase costs for the District. The provision to mail the posters will cost \$28,000 in FY 2014 and \$112,000 over the four year financial plan period. The provisions related to employees receiving gratuities will cost \$355,000 in FY 2014 and \$1.1 million over the four year financial plan period.

² There are currently 16 UDC employees making over \$9.00 per hour, but less than \$11.50 per hour. It is expected that UDC will manage the minimal cost over the next four years as this group keeps pace with the planned minimum wage changes.

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The implementation of these two provisions is subject to their inclusion in an approved budget and financial plan.

Fiscal Impact of the Minimum Wage Amendment Act of 2013					
Bill 20-459					
FY 2014 – FY 2017					
	FY 2014	FY 2015	FY 2016	FY 2017	Total
Personnel ^a	\$225,000	\$225,000	\$233,000	\$233,000	\$916,000
Technology	\$110,000	\$0	\$0	\$0	\$110,000
Administrative Costs ^b	\$48,000	\$48,000	\$48,000	\$48,000	\$192,000
Total	\$383,000	\$273,000	\$281,000	\$281,000	\$1,218,000

Table Notes

^a Includes 2 auditors and 1 administrative employee.

^b Includes \$28,000 for mailing posters and \$20,000 for mailing certification forms, annually.