

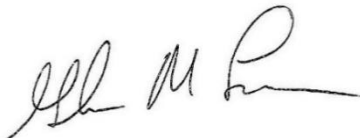
Government of the District of Columbia  
Office of the Chief Financial Officer



**Glen Lee**  
Chief Financial Officer

**MEMORANDUM**

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

**FROM:** Glen Lee  
Chief Financial Officer 

**DATE:** March 26, 2026

**SUBJECT:** Fiscal Impact Statement – District of Columbia Living Wage for All  
Amendment Act of 2026

**REFERENCE:** Proposed Initiative Measure No. 87, as provided to the Office of  
Revenue Analysis on March 5, 2026

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**Conclusion**

Funds are sufficient in the fiscal year 2026 through fiscal year 2029 budget and financial plan to implement the initiative.

**Background**

Under current law<sup>1</sup>, the District minimum wage is \$17.95 per hour as of July 1, 2025, and grows by inflation each year. The tipped minimum wage is \$10.00 per hour as of July 1, 2025, and grows to be a codified percentage of the standard minimum wage through 2034, when it becomes 75 percent of the standard minimum wage.

The proposed initiative increases the minimum wage periodically from the current \$17.95 per hour to \$25.00 per hour as of July 1, 2029, and increases it by inflation<sup>2</sup> annually thereafter.

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<sup>1</sup> D.C. Official Code § 32-1003.

<sup>2</sup> The minimum wage is increased in proportion to the annual average increase, if any, in the Consumer Price Index (CPI) for All Urban Consumers in the Washington Metropolitan Statistical Area published by the Bureau of Labor Statistics of the United States Department of Labor for the previous calendar year. Any increase under this paragraph is adjusted to the nearest multiple of \$0.05.

The Honorable Phil Mendelson

FIS: "District of Columbia Living Wage for All Amendment Act of 2026", Proposed Initiative Measure No. 87, as provided to the Office of Revenue Analysis on March 5, 2026.

The proposed initiative also increases the minimum wage for tipped workers periodically, beginning on July 1, 2028, from the current \$10.00 per hour, until it matches the regular minimum wage on July 1, 2031.

The initiative exempts the District of Columbia government and District of Columbia contractors from the tipped minimum wage increase.

The annual minimum wages prescribed by the initiative are in the chart below:

<b>Date of Rate Adjustment</b>	<b>Standard Minimum Wage (per hour)</b>	<b>Tipped Minimum Wage (per hour)</b>
July 1, 2026	\$20.00	Same as current law <sup>3</sup>
July 1, 2027	\$21.75	Same as current law <sup>4</sup>
July 1, 2028	\$23.50	\$19.00, plus tips up to standard min. wage
July 1, 2029	\$25.00	\$22.00, plus tips up to standard min. wage
July 1, 2030	Increase by CPI	\$25.00, plus tips up to standard min. wage
July 1, 2031	Increase by CPI	Same as regular minimum wage plus tips

Under current law<sup>5</sup>, employers may choose to pay their employees the lower tipped minimum wage if those employees also receive gratuities. This is known as receiving a tip credit against the full minimum wage obligation. Despite the lower minimum wage paid by the employer, the employer must ensure that these employees' tips are at least equal to the difference between the tipped minimum wage and the standard minimum wage.<sup>6</sup> If the tips do not at least equal this difference, then the employer must pay the employee additional base wages to ensure that the employee receives an amount equal to the standard minimum wage. Employers of tipped employees are required to use a third-party payroll company to submit their quarterly wage reports for employees receiving gratuities to the Department of Employment Services (DOES). Employers submit information through the DOES Employer Self-Service Portal or through paper submissions. If an employer fails to submit information, DOES sends a compliance letter and could initiate an audit or investigation.

Lastly, the initiative requires that any service charges collected by employers of tipped workers be given to workers.

### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2026 through fiscal year 2029 budget and financial plan to implement the initiative.

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<sup>3</sup> D.C. Official Code § 32-1003(f)(6)(A). Tipped minimum wage will be 56% of standard minimum wage as of July 1, 2026, which will be \$10.30.

<sup>4</sup> D.C. Official Code § 32-1003(f)(6)(A). Tipped minimum wage will be 56% of standard minimum wage as of July 1, 2027, but the amount is unknown at this time because it will depend on CPI growth in 2026.

<sup>5</sup> Initiative No. 77 – Minimum Wage Amendment Act of 2018, effective October 11, 2018 (D.C. Law 22-163; D.C. Official Code § 32-1003).

<sup>6</sup> D.C. Code § 32-1003(f)(1).

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The initiative exempts from the wage increases District Government employees and employees working for a private employer under a contract with the District Government. Therefore, wage increases will not impact the District budget and financial plan in the form of increased personnel costs.

The initiative is not projected to require any additional enforcement resources at DOES. Today, employers must ensure that tipped employees earn the standard minimum wage, on average, including earnings from their employer-paid wages and tips. If the employee's tips plus the employer-paid tipped minimum wage do not equal the standard minimum wage, then the employer must pay the difference. The Office of Wage-Hour at DOES currently enforces the tipped wage quarterly reporting requirement and the other elements of tipped wage laws. DOES also provides education and outreach to employers on how to comply with the law. The initiative's periodic increases to the minimum and tipped minimum wages do not impose any new requirements on DOES.

The Office of Revenue Analysis's (ORA) previous analyses of minimum wage changes in the District have found increases to minimum wage are likely to increase income for low-wage workers, cause businesses to recoup some additional costs from consumers through higher prices, and cause businesses to lower some costs through reduced employment. However, ORA does not forecast any significant revenue impacts from the proposed initiative as consumer and business responses to increased minimum wages may include several counter-acting effects.