

Council of the District of Columbia
COMMITTEE REPORT

RECEIVED

2IK \$p 29 B U-06

OFFICE OF THE

1350 Pennsylvania Ave, NW; Suite 113 Washington, DC 20004 _____ .SFPP:F_T/> py

To: All Councilmembers

From: David A. Catania, Chairperson, ~~Committee~~ *DA* on Public Services

Date: September 22, 2004

Subject: Committee Report on Bill 15-888, the "Minimum Wage Amendment Act of 2004"

The Committee on Public Services reports favorably on Bill 15-888, the "Minimum Wage Amendment Act of 2004."

TABLE OF CONTENTS

- I. Background, Purpose and Effect
- II. Legislative History
- III. Section By Section Analysis
- IV. Fiscal Impact
- V. Impact on Existing Provisions of Law
- VI. Summary of Testimony
- VII. Committee Action
- VIII. Attachments

I. BACKGROUND, PURPOSE AND EFFECT

On June 22, 2004, Bill 15-888, the "Minimum Wage Amendment Act of 2004," was introduced by Councilmembers David A. Catania and Sandra (Sandy) Allen. The Committee on Public Services held a public hearing on Bill 15-888 on July 12, 2004.

The purpose of the legislation is to increase the minimum wage in the District from \$6.15 an hour to \$7.00 an hour in two stages, first from \$6.15 an hour to \$6.60 an hour on January 1, 2005, then from \$6.60 an hour to \$7.00 an hour on January 1, 2006. In addition, the legislation amends the code to establish a set minimum wage of \$2.77 an hour for employees who receive gratuities, but requires employers to ensure that the sum of \$2.77 an hour plus gratuities is not less than the minimum wage.

The legislation is intended to restore the purchasing power lost since the minimum wage was last adjusted in 1997. The cost of living has skyrocketed in the Washington metropolitan area making it increasingly difficult for individuals and families to survive given the current minimum wage. An increase in the minimum wage, while affecting a relatively small percentage of workers in the District, will help thousands of low income citizens. The change to the minimum wage of employees who accept gratuities is a pragmatic approach to ensure that they will continue to earn no less than the minimum wage while relieving employers of increased labor costs for employees who may be earning well above the minimum wage.

II. LEGISLATIVE HISTORY

June 22, 2004 Bill 15-888 is introduced by Councilmembers David A. Catania and Sandy Allen it is referred to the Committee on Public Services.

June 22, 2004 Notice of Public Hearing is filed with the Secretary to the Council.

July 2, 2004 Notice of Introduction of Bill 15-888 is published in the *District of Columbia Register*.

July 2, 2004 Notice of Public Hearing is published in the *District of Columbia Register*.

July 12, 2004 Public Hearing on Bill 15-888 is held by the Committee on Public Services.

September 22, 2004 Committee on Public Services considers and marks up Bill 15-888.

III. SECTION-BY-SECTION ANALYSIS

Section 1. States the short title of the bill

Section 2. Amends the Minimum Wage Revision Act of 1992, effective March 23, 1993 (D.C. Law 9-248; D.C. Official Code §32-1009) to increase the minimum wage from \$6.15 an hour to \$6.60 an hour on January 1, 2005, or \$1 above the federal minimum wage, whichever is greater, and to \$7 an hour on January 1, 2006 or \$1 above the federal minimum wage, whichever is greater.

Section 3. Amends the Minimum Wage Revision Act of 1992, effective March 23, 1993 (D.C. Law 9-248; D.C. Official Code §32-1009) to establish a set minimum hourly rate of \$2.77 for employees who receive gratuities and

requires that employers ensure that the sum of the minimum wage paid to gratuity-accepting employees and gratuities be no less than the minimum wage.

Section 4. States that the fiscal impact statement in the committee report is adopted as the fiscal impact statement required by section 602(c)(3) of the Home Rule Act.

Section 5. States the effective date of the bill.

IV. FISCAL IMPACT

The fiscal impact statement is attached.

V. IMPACT ON EXISTING PROVISIONS OF LAW

Bill 15-888 will amend the Minimum Wage Revision Act of 1992, effective March 23, 1993 (D.C. Law 9-248; D.C. Official Code §32-1009).

VI. SUMMARY OF TESTIMONY

A public hearing was held on July 12, 2004 in the Council Chamber of 1350 Pennsylvania Avenue (John A. Wilson Building), beginning at approximately 10:12 a.m.

Chairperson Catania made introductory remarks explaining the purpose of the legislation and its implementation in two steps. He noted the difference between the mean wage and the minimum wage: nationally the minimum wage is 30% of the mean wage, while in the District it is 23% of the mean wage. Chairperson Catania also noted the limited ability to raise the minimum wage significantly because of the District's particular circumstances due to its proximity to Maryland and Virginia. Even though the Chairperson said that he may be inclined to support a larger increase, he noted that it is not prudent in the current economic and political climate.

The Chairperson called the first panel of witnesses, comprised of the following: Judy Conti, Director, DC Employment Justice Center ("EJC"); Amy Chasanov, Deputy Director of Policy, Economic Policy Institute; Angie Rogers, Policy Analyst, DC Fiscal Policy Institute; and Michael Stemberg, Proprietor of Sam and Harry's Restaurant, representing the Restaurant Association of Metropolitan Washington.

Judy Conti testified in favor of the increase in the District's minimum wage and lauded the efforts of the committee to improve the lives of everyday workers. Ms. Conti then stated that raising the minimum wage is a human rights issue and gave a list of statistics showcasing the injustices of working for a minimum wage. Next, she countered some traditional arguments

against raising the minimum wage and cited studies and supporting statistics. She gave the example of Costco and Sam's Club; Costco has higher wages and more generous benefits, yet spends less on overall labor costs than Sam's Club.

Amy Chasanov testified in favor of the proposed legislation. First, she offered comprehensive testimony from an economic policy point of view. Next, Ms. Chasanov discussed why an increase is needed, who would be helped by an increase, the fallacies in arguments against an increase, and why allowing a tip credit "opt-out" is a bad idea. She discussed at length the increase in the cost of living as the main reason for an increase in the minimum wage. Ms. Chasanov then explained that only 2-4% of the District workforce would be affected by an increase in the minimum wage. She then noted many studies that demonstrate that a modest increase in the minimum wage would not significantly affect employment. Finally, she stated that she did not think that changing the tip credit provisions from 55% to a set amount is a good idea. According to Ms. Chasanov there are some tipped workers who make close to the minimum wage.

Angie Rodgers next testified in favor of Bill 15-888. She gave economic statistics on the decline over time of the real value of the minimum wage. Ms. Rodgers then gave facts on the nature of residents making minimum wage. She also stated that an increase to \$7 an hour would increase the annual income of someone making minimum wage almost 10% when combined with the District's Earned Income Tax Credit. She agreed with the other witnesses about how important it is to take this step to improve the lives of the low-wage earners in the District.

Michael Steinberg testified on Bill 15-888. He said in general the Restaurant Association is generally opposed to any legislative proposal that mandates increased costs for member restaurants. Mr. Sternberg noted that there has been a severe decrease in tourism and business travel since September 11, 2001. Next, he noted that an increase in the District's minimum wage may mean less employment as proprietors are forced to lay people off. An increase in menu prices to compensate for the increase in minimum wage may mean a loss of business in the District especially for evening meals. Then he noted that his association was in support of improving the lives of low income workers and that it has been determined that restaurants could support an increase in the minimum wage if there are provisions to allow a minimum hourly wage for tipped employees that is the same as the federal minimum wage law.

Chairperson Catania questioned Mr. Sternberg about the specific effects an increase in the minimum wage would have on his restaurant with and without the tip credit. He responded that his wait staff makes significantly more than minimum wage. Chairperson Catania then questioned Ms. Chasanov about the tip credit provisions and she responded that tipping is only an option and that many tipped employees are not earning much more than minimum wage. Mr. Sternberg stated that employees still have to pay federal employment taxes on tipped earnings, and all employers are required to pay minimum wage if a tipped employee is not making above minimum wage with tips. Ms. Conti noted that it costs less than \$16 a day per employee to keep the tip credit at 55% of the District's minimum wage.

The panel discussed issues dealing with competing jurisdictions and differences in their minimum wages. Mr. Sternberg spoke about the minimum wage that is indexed to inflation in the state of Washington and how a steak meal in his restaurant costs significantly less than a similar meal in Washington. Chairperson Catania noted that the increase in labor costs in Washington state is not just limited to restaurants but is a factor all the way from the truck driver who drives the steak to the restaurant employees. Chairperson Catania then compared the District to San Francisco which has a higher minimum wage than the rest of the state of California.

Chairperson Catania then called the next panel of witnesses, comprised of: Jeffrey Norman; John Capozzi, former U.S. (Shadow) Representative and at-large member of the District of Columbia Democratic State Committee; Kristen Burgard; and Tamela Gordon, all from the "Running Against Bush" slate running for the District of Columbia Democratic State Committee.

Jeff Norman testified on the importance of raising the minimum wage. He stated that many members of his family have owned small businesses in the District and that he knows of studies that show that an increase in the minimum wage does not seriously affect small businesses.

John Capozzi testified as a strong supporter of Bill 15-888. He stated that because the federal government has failed to address the issue it was up to the District government to raise the minimum wage to indicate to the President and Congress that District residents care about the issue of low income workers.

Kristen Burgard also expressed her support for the increase in the District's minimum wage. She is a resident of Ward 8 and a former member of the Teamsters and Service Employees International Union. Ms. Burgard told the committee about the experience of her mother who is a waitress making minimum wage, detailing her existence and the many struggles she goes through. She encouraged the Council to pass the legislation to show the community that it cares about the 20% of workers earning below the poverty line.

Chairperson Catania called Gregory Irish, Director of the Department of Employment Services to testify. Mr. Irish gave a detailed history of the minimum wage in the District and gave statistics on other jurisdictions. He testified on how important it is that the District support low-income workers and that raising the minimum wage is a good idea because it will protect the interests of the District's low-wage workers, will aid the District in increasing revenue, and will help develop the overall economy.

VII. COMMITTEE ACTION

The Committee on Public Services met at approximately 2:00 p.m. on September 22, 2004, to consider and mark up Bill 15-888, the "Minimum Wage Amendment Act of 2004." Chairperson Catania explained the history of the issue and the need for the bill. He stated that

the minimum wage has not increased since 1997 and when inflation is factored in, the purchasing power of individuals earning the minimum wage is considerably lower than in 1997.

Chairperson Catania had hoped that the Federal Government would raise the minimum wage, but that is not likely to happen. He also acknowledged and expressed his gratitude for the support for the bill from the business community, especially from Andrew Kline from the Restaurant Association of Metropolitan Washington.

Chairperson Catania moved the Committee Print of Bill 15-888;

Committee members voting in favor: Chairperson Catania, Councilmembers Allen, Graham
and Fenty

Committee members voting against:

Committee members voting present:

Committee members absent: Councilmember Orange

Chairperson Catania then moved for approval of the Committee Report on Bill 15-888, the "Minimum Wage Amendment Act of 2004."

Committee members voting in favor: Chairperson Catania, Councilmembers Allen, Graham
and Fenty

Committee members voting against:

Committee members voting present:

Committee members absent: Councilmember Orange

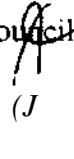
VIII. ATTACHMENTS

- A. Bill 15-888 as introduced
- B. Notice of public hearing
- C. Agenda and witness list
- D. Written testimony
- E. Fiscal Impact Statement
- F. Committee Print of Bill 15-888

COUNCIL OF THE DISTRICT OF COLUMBIA
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Memorandum

To: Members of the Council

From: Phyllis Jones, Secretary to the Council 

Date: June 25, 2004 (J)

Subject: Referral of Proposed Legislation

Notice is given that the attached proposed legislation was introduced in the Office of the Secretary on June 22, 2004. Copies are available in Room 2, the Legislative Services Division.


TITLE: "Minimum Wage Amendment Act of 2004", Bill 15-0888


INTRODUCED BY: Councilmembers Allen and Catania

The Chairman is referring this legislation to the Committee on Public Services.

cc: General Counsel
Legislative Services Division

1
2
3
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34


Councilmember/Sandra C. Allen


Councilmember David A. Catania

A BILL

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

Councilmember David Catania and Councilmember Sandra Allen introduced the following bill,
which was referred to the Committee on_____.

To amend the Minimum Wage Act Revision Act of 1992 to increase the minimum wage in the
District of Columbia.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this
act may be cited as the "Minimum Wage Amendment Act of 2004".

Sec. 2. Section 4(a) of The Minimum Wage Act Revision Act of 1992, effective March
25,1993 (D.C. Law 9-248; D.C. Official Code § 32-1003 (a)), is amended to read as follows:

"(a)(1) As of January 1, 2005, the minimum wage required to be paid to any employee by
any employer in the District of Columbia shall be \$6.60 an hour, the minimum wage set by the
United States government from time to time pursuant to the Fair Labor Standards Act (29 U.S.C.
§ 206 et seq.) ("Fair Labor Standards Act"), plus SI, whichever is greater.

"(2) As of January 1,2006, the minimum wage required to be paid to any
employee by any employer in the District of Columbia shall be \$7 an hour, or the minimum

wage set by the United States government from time to time pursuant to the Fair Labor Standards Act (29 U.S.C. § 206 et seq.) ("Fair Labor Standards Act"), plus \$1, whichever is greater." 35 36

Sec. 3. The Council adopts the fiscal impact statement in the committee report as the fiscal impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act, approved December 24, 1973 (84 Stat. 813; D.C. Official Code 1-206.02 (c)(3)). 37 38 39

Sec. 4. This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), a 30-day period of Congressional review as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code §1-206.02 (c)(1)), and publication in the District of Columbia Register. 40 41 42 43 44


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

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwajy WT Gandhi 
Chief Financial Officer

DATE: SEP 22 2005

SUBJECT: Fiscal Impact Statement: "Minimum Wage Amendment Act of 2004"

REFERENCE: Bill Number 15-888
Committee Print

Conclusion

Funds are sufficient in the FY 2005 through FY 2008 budget and financial plan to implement the provisions of the proposed legislation. No additional staff or resources will be required. Although the bill may have both positive and negative implications for revenue collections, the magnitudes should be small with, on net, no material impact on the budget and financial plan.

Background

The proposed legislation increases the minimum wage requirement in the District of Columbia from \$6.15 per hour to \$7.00 per hour in two steps. On January 1, 2005 the wage will be increased from \$6.15 to \$6.60 per hour, and on January 1, 2006 the wage will be increased from \$6.60 to \$7.00 per hour. The minimum wage in the District was last adjusted in 1997.

Financial Plan Impact

Funds are sufficient in the FY 2005 through FY 2008 budget and financial plan because no additional resources will be required to implement the proposed legislation. On the positive side, an increase in the hourly earnings of minimum wage employees could increase revenue by \$200,000 upon full implementation of the bill. There is also the possibility that an increase in the minimum wage could dissuade some employers from new hiring or cause them to reduce the size of their minimum wage staffing.

COMMITTEE PRINT
COMMITTEE ON PUBLIC SERVICES
September 22, 2004
B15-888

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

A BILL

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To amend the Minimum Wage Act Revision Act of 1992 to increase the minimum wage in the District of Columbia.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the "Minimum Wage Amendment Act of 2004".

Sec. 2. Section 4(a) of The Minimum Wage Act Revision Act of 1992, effective March 25, 1993 (D.C. Law 9-248; D.C. Official Code § 32-1003 (a)), is amended to read as follows:

"(a)(1) As of January 1, 2005, the minimum wage required to be paid to any employee by any employer in the District of Columbia shall be \$6.60 an hour, or the minimum wage set by the United States government from time to time pursuant to the Fair Labor Standards Act (29 U.S.C. § 206 et seq.) ("Fair Labor Standards Act"), plus \$1, whichever is greater.

"(2) As of January 1, 2006, the minimum wage required to be paid to any employee by any employer in the District of Columbia shall be \$7 an hour, or the minimum wage set by the United States government from time to time pursuant to the Fair Labor Standards Act (29 U.S.C. § 206 et seq.) ("Fair Labor Standards Act"), plus \$1, whichever is greater."

Sec. 3. Section 4(f) of The Minimum Wage Act Revision Act of 1992, effective March 25, 1993 (D.C. Law 9-248; D.C. Official Code § 32-1003 (f)), is amended to read as follows:

"(f) As of January 1, 2005, the minimum wage required to be paid by any employer in the District of Columbia to any employee who receives gratuities shall be \$2.77 an hour, provided that such employee actually receives gratuities in an amount at least equal to the difference between the hourly wage paid and the minimum wage as set by subsection (a) of this section."

Sec. 4 The Council adopts the fiscal impact statement in the committee report as the fiscal impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act, approved December 24, 1973 (84 Stat. 813; D.C. Official Code 1-206.02 (c)(3)).

Sec. 5. This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), a 30-day period of Congressional review as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code §1-206.02 (c)(1)), and publication in the District of Columbia Register.