

2015 - 2016 Seattle City Council Statement of Legislative Intent

Ready for Notebook

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56	1	A	2

Budget Action Title: Report by HSD and CBO on the cost to maintain existing human service delivery in light of minimum wage progression, including alternatives and assessment of capacity building for non-profit providers.

Councilmembers: Burgess; Clark; O'Brien

Staff Analyst: Ketil Freeman

Date		Total	SB	BH	SC	TR	NL	TB	JG	MO	KS
	Yes										
	No										
	Abstain										
	Absent										

Statement of Legislative Intent:

The Council requests that the Human Services Department (HSD) and the City Budget Office report to the Council on the cost to maintain current City-funded human services delivery levels with the increased minimum wage. The report should be delivered to Council in two phases.

The first phase report, delivered by June 1, 2015, should quantify the impact of the minimum wage increase on City-funded human services providers, assuming current levels of human service delivery. The Executive is encouraged to complete this work in the context of continued development of HSD's "Outcomes Framework;" the need to prioritize City investments given revenue challenges and declining regional, state and federal revenues for human services; as well as recognition that Seattle alone cannot shoulder the full impacts of minimum wage increases on human services providers. At a minimum this report should include the following:

- An inventory of HSD contracts including services and funding levels, by Human Services Strategic Investment Plan (SIP) program; and
- A quantification by SIP program of the incremental budget increase that would be necessary to maintain existing services with scheduled minimum wage increases in 2016, 2017, and 2018.

The purpose of this first phase analysis is for the City and other funders to understand the cost impacts of the increased minimum wage and any changes in services provided. It is anticipated that this analysis would be done in partnership with human services providers. Data is needed from the providers in order to accurately estimate the cost to maintain existing services.

The second phase report, delivered by September 1, 2015, should examine the broader landscape of human services provision and stability given scheduled minimum wage increases and the changing priorities of other funders. At a minimum this report should include the following:

- An analysis and prioritization of potential service reductions in 2016, if funding levels are not increased to mitigate the impact to current City-funded human services providers of minimum wage increases;
- An analysis by SIP program of how service delivery and contract costs could change based on implementation of the results-based accountability “Outcomes Framework;”
- An analysis of how service delivery and contract costs could change based on the performance-based budgeting, which the Mayor has indicated will inform HSD’s proposed budget for 2016; and
- An assessment, based on consultation with other public funders and private philanthropic organizations and entities with expertise in non-profit management and finance, of potential programs, such as capacity building and development of new business models, to help human services providers adapt to the shifting revenue climate.

Both reports should be informed by interviews and information gathered from Schedule 1 and Schedule 2 employers who are current human services providers to the City. The second report should make recommendations for further action to strengthen Seattle’s human service providers.

Background

In June the Council passed [Ordinance 124490](#), which establishes a new hourly minimum wage and minimum compensation for most employers with employees that work in Seattle. Ordinance 124490 sets out a schedule for minimum wage increases that begins on April 1, 2015. There are no exceptions to minimum wage requirements for non-profit employers. For the biennium, the required minimum wage or minimum compensation, whichever is higher, is shown in the table below.

	Beginning April 1, 2015	Beginning January 1, 2016
<i>Schedule 1: Employers with More than 500 Employees</i>	\$11 / hour	\$13 / hour*
<i>Schedule 2: Employers with 500 or Fewer Employees</i>	\$11 / hour	\$12 / hour

*Large employers that provide healthcare are given a \$.50 credit in 2016.

Many non-profit human services providers that contract with the City currently pay some of their employees less than the required minimum wage that will be applicable on April 1, 2015. Consequently, many of these providers will struggle to maintain delivery of services at current levels, which is driven for most by staffing costs, without increased revenue to maintain staffing levels.

Over the biennium the cost of City contracts for maintaining current human service delivery levels will rise

because of the increased minimum wage. In anticipations of this, as a companion piece of legislation to Ordinance 124490 the Council also adopted [Resolution 31542](#). Resolution 31542 requests that the Mayor submit a plan that, “address[es] steps the City should take to ensure human services providers and others with City contracts will be able to meet policy and service objectives while also meeting the new wage schedules.” Such a plan was not submitted to Council.

In addition, the proposed 2015 City budget and contemplated Council changes to the proposed budget include several “backfill” items; adds to previous spending to make up for funding losses to critical services. These reductions have stemmed from changes in funding by federal, state and private funders. The City will not be able to fill these gaps on an ongoing basis.

Wage changes and seemingly permanent changes in the funding environment indicate structural pressures the City and providers should address in order to ensure long-term service provision to those in need.

Responsible Council Committee(s): Housing Affordability, Human Services, and Economic Resiliency

Date Due to Council:

First Phase Report - June 1, 2015

Second Phase Report - September 1, 2015