

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Mayor's Office (MO)	Brian Surratt/386-4071	Jeanette Blankenship/615-0087

Legislation Title:

AN ORDINANCE relating to employment in Seattle; adding a new Chapter 14.19 to the Seattle Municipal Code; establishing minimum wage and minimum compensation rates for employees performing work in Seattle; and prescribing remedies and enforcement procedures.

Summary of the Legislation:

This legislation provides for an increase in the minimum wage in the City of Seattle to \$15.00 an hour, phased in over time, beginning in 2015:

- Small employers (businesses with fewer than 500 employees) will reach a \$15.00 an hour minimum wage in seven years. Also established is a temporary guaranteed minimum compensation responsibility of \$15.00 an hour to be met within the first five years, which can be achieved by combining employer-paid health care contributions, consumer-paid tips, and employer-paid wages.
- Large employers (businesses with 500 or more employees, either in Seattle or nationally) will reach \$15.00 per hour in three years. The wages of employees who receive health care benefits will reach \$15.00 per hour in four years.

Background:

The Mayor formed an "Income Inequality Advisory Committee," a group comprised of representatives from Seattle's employer, labor, and non-profit communities to address the pressing issue of income inequality in Seattle. The committee was charged with delivering recommendations on how best to increase the minimum wage in Seattle in a way that ensures that our economy is vibrant enough and fair enough to embrace all who live and work here. The Income Inequality Advisory Committee reviewed the impact of minimum wage increases in other cities, relevant studies and other appropriate data, and hosted numerous public engagement forums, including industry-specific forums and the "Income Inequality Symposium" at Seattle University. The Income Inequality Advisory Committee concluded the following:

- Seattle's minimum wage should be raised to \$15.00 per hour, the minimum wage should be phased in over time, and the first year of implementation of a phased increase of the minimum wage should begin in 2015;
- Once the minimum wage reaches \$15.00 per hour it should rise in concert with the consumer price index;
- No industry sector exemptions from the \$15.00 per hour minimum wage;
- Smaller businesses and non-profits would face particular challenges in implementing a higher minimum wage; and
- The minimum wage law should be accompanied by a strong enforcement and worker and

business education program.

This legislation does not have any financial implications.

This legislation has financial implications.

Appropriations:

Appropriations Notes:

An increase in City appropriations will be incurred in 2015 and subsequent years to 1) raise City employee wages that fall below \$15.00 an hour following Schedule 1; 2) provide enforcement for wage compliance; and 3) provide business education. The increase in costs will be analyzed and refined through the 2015-2016 Budget development process. Appropriation increases, where necessary, will be included in the 2015 Proposed Budget.

- 1) The estimated 2015 impact to the City budget for City employee wage increases associated with this legislation is approximately **\$200,000**. The total incremental cost to the City to bring all wages on Schedule 1 up to \$15 an hour by January 1, 2017 is approximately **\$1,000,000**. These estimates assume a 2.4% cost of living increase each year for City employees, which may be adjusted to actual CPI or labor negotiations, and also include associated increases in payroll taxes for FICA, Medicare and Retirement.
- 2) The Department of Finance and Administrative Services will incur costs related to enforcing this legislation which will be analyzed in the 2015-2016 Budget process. The final scope of the program may be impacted by the work of the Labor Standards Advisory Committee, which is currently reviewing the labor standards enforcement functions across multiple City departments.
- 3) Business education potential needs and associated costs incurred by the City will be analyzed through the 2015-2016 Budget process.

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
Yes. In addition to City costs, employers in the City of Seattle will have increased financial costs for employees currently earning below \$15.
- b) **What is the financial cost of not implementing the legislation?**
The public welfare, health, and prosperity of Seattle require wages and benefits sufficient to ensure a decent and healthy life for all Seattle workers and their families. Not implementing this legislation will delay progress in improving public welfare, health and prosperity.
- c) **Does this legislation affect any departments besides the originating department?**
 - o Finance and Administrative Services will incur costs related to enforcement.

- All departments with employees below \$15 an hour.

- d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?**
The Income Inequality Advisory Committee analyzed numerous alternatives. This legislation implements the alternative selected by the committee.

- e) Is a public hearing required for this legislation?**
No.

- f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No.

- g) Does this legislation affect a piece of property?**
No.

- h) Other Issues:** N/A.

List attachments to the fiscal note below: None.