

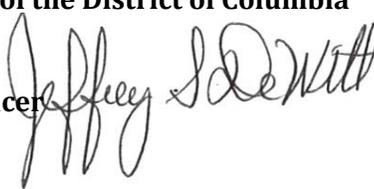
Government of the District of Columbia  
Office of the Chief Financial Officer



Jeffrey S. DeWitt  
Chief Financial Officer

**MEMORANDUM**

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

**FROM:** Jeffrey S. DeWitt  
Chief Financial Officer 

**DATE:** October 2, 2018

**SUBJECT:** Fiscal Impact Statement - Tipped Wage Workers Fairness Amendment Act of 2018

**REFERENCE:** Bill 22-913, Committee Print provided to the Office of Revenue Analysis on October 1, 2018

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**Conclusion**

Funds are not sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. The bill will cost \$744,000 in fiscal year 2019 and \$2.6 million over the four-year financial plan.

**Background**

The bill repeals ballot Initiative No. 77<sup>1</sup>, which would gradually increase the minimum wage for tipped workers to \$15 per hour by 2020, and further increase it to the same level as non-tipped workers by 2026.

The bill mandates that the Mayor create a website outlining the rights and benefits guaranteed to an individual under ten different District labor and anti-discrimination laws. In addition to providing this information in an easily accessible, user-friendly way, the information must be “printer friendly” to allow for employers to print the information and post it at places of employment. The bill requires the Mayor to provide all private employers a poster with information about the website, including links, as well as a description of employee rights under the District’s labor and anti-discrimination laws. The poster may be provided as an electronic version to employers.

Employers must print and hang the poster in a conspicuous place accessible to all employees, and they must print the information posted on the website and make it available for employee reference

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<sup>1</sup> D.C. Act 22-396, The Initiative 77 – Minimum Wage Amendment Act of 2018, projected law date October 9, 2018.

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in hard copy. Employers must update the information monthly (if it has changed) to ensure the printed information is identical with that provided on the website. The poster for the summary website will replace posting requirements for the underlying laws. Employers not complying with posting requirements may be assessed a \$100 fine for each day of non-compliance.

The bill mandates businesses with tipped workers to require annual sexual harassment training and training on minimum wage laws for all owners, operators, and managers. Each business must provide certification to the Department of Employee Services that required trainings have been completed.

The bill requires that all businesses with tipped workers utilize a third-party payroll company to prepare the businesses' payroll. A quarterly wage report must be provided to the Mayor, to include the name of each employee, the number of hours worked, the total pay and gratuities received by employees each week, and a calculation of an average weekly wage for each employee. The report may be an electronic spreadsheet and prohibits the District from requiring manual entry of the information. Lastly, the bill requires the establishment of a dedicated phone line for reporting violations of tipped wage laws.

The bill establishes a Tipped Workers Coordinating Council ("TWCC") that will work on coordination of tipped worker polices, conduct regular and anonymous case reviews of tipped wage violations, and develop protocol to ensure recommendations are incorporated into DOES policies and procedures. Membership on the TWCC includes representatives of several District government agencies, the Restaurant Association of Metropolitan Washington, the Hotel Association of Washington, two Mayoral appointed members from policy organizations, and three Council appointees.

Lastly, the bill requires that within 180 days of the effective date of the law the Mayor launch a public education campaign to raise awareness and educate the public about the rights of tipped workers.

### **Financial Plan Impact**

Funds are not sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. The bill will cost \$744,000 in fiscal year 2019 and \$2.6 million over the four-year financial plan.

Repealing the ballot initiative has no fiscal impact on the District's budget and financial plan.

The Department of Employee Services (DOES) is already implementing some of the requirements in the bill, including collection of quarterly reports from employers on tipped wages, maintenance of an internet-based portal for the reporting, and establishing a dedicated phone line for reporting violations. However, it is expected that the major public education campaign and the requirements for a focused educational website will drive an increase claims and reporting. The Department of Employment Services expects it will require an additional five compliance specialists to meet the demand of additional reporting, investigation of cases, and ensuring compliance.

Lastly, the Tipped Workers Coordinating Council ("TWCC") will require a full-time coordinator to assist in the logistics and management of the TWCC's functions, including the regular review of

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claims of wage violations. It is expected that the added compliance specialists will also assist the TWCC with its spot audit function.

The requirement to develop and maintain an informational website with a printable poster for employers is estimated to cost \$200,000 in fiscal year 2019 with ongoing maintenance and support costs throughout the financial plan.

<b>Fiscal Impact of Bill 22-913 Tipped Wage Workers Fairness Amendment Act of 2018</b>					
<b>Fiscal Year 2019 - Fiscal Year 2022</b>					
	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Total</b>
5 Compliance specialists	\$350,415	\$360,927	\$371,755	\$382,908	\$1,466,004
Research, development, maintenance and support for new website	\$200,896	\$165,600	\$165,600	\$165,600	\$697,696
Implementation of public education campaign	\$100,000	\$0	\$0	\$0	\$100,000
Coordinator for the Tipped Worker Coordinating Council	\$92,343	\$94,343	\$96,074	\$97,995	\$380,604
<b>TOTAL COST</b>	<b>\$743,654</b>	<b>\$620,718</b>	<b>\$633,429</b>	<b>\$646,503</b>	<b>\$2,644,305</b>