

**Department of Legislative Services**  
Maryland General Assembly  
2017 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 962  
Finance

(Senator Madaleno, *et al.*)

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**Labor and Employment - Payment of Minimum Wage Required (Fight for  
Fifteen)**

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This bill phases in an increase in the State minimum wage to \$15.00 per hour by fiscal 2024, with different phase-in schedules for businesses with 25 or fewer employees and for businesses with 26 or more employees. Beginning on July 1, 2024, the minimum wage may increase further as it is indexed to inflation. However, rate increases may be temporarily suspended under specified circumstances. The bill phases out the tip credit by July 1, 2025, that employers can apply against the direct wages paid to employees classified as tipped employees. Additionally, in fiscal 2020 through 2023, the Governor's proposed budget for the Developmental Disabilities Administration (DDA) of the Department of Health and Mental Hygiene (DHMH) must include an annual 3.5% rate increase for community services providers over the funding provided in the prior year's legislative appropriation.

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**Fiscal Summary**

**State Effect:** State expenditures (56% general funds, 44% federal funds) for DHMH increase by an estimated \$41.8 million in FY 2020 and by an estimated \$133.9 million in FY 2022 due to mandated rate increases for community services providers. State expenditures (all funds) increase significantly beginning in FY 2020 due to additional payroll costs of at least \$8.8 million in FY 2020 and \$23.5 million in FY 2022, but likely significantly more to account for wage adjustments to internal salary ladders; increased expenditures for employee compensation attributable only to the minimum wage increase are not reflected in the fiscal effect exhibited below. Federal fund revenues increase minimally to offset increased wages paid to senior citizen aides employed by the Maryland Department of Aging. General fund expenditures increase by \$467,900 in FY 2018 due to additional staff for enforcement at the Department of Labor, Licensing, and Regulation (DLLR) and for an economic analysis by the Comptroller's Office. Any increase in general

fund tax revenues to the State cannot be reliably projected but is expected to be minimal. **This bill establishes a mandated appropriation for FY 2020 through 2023.**

(\$ in millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF/FF Rev.	\$0	\$0	-	-	-
GF Expenditure	\$0.5	\$0.2	\$23.7	\$48.6	\$75.3
FF Expenditure	\$0	\$0	\$18.4	\$38.0	\$58.9
GF/SF/FF Exp.	\$0	\$0	-	-	-
Higher Ed Exp.	\$0	\$0	-	-	-
Net Effect	(\$0.5)	(\$0.2)	(\$42.0)	(\$86.6)	(\$134.2)

*Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** Local government expenditures increase significantly beginning in FY 2020 for certain local jurisdictions to pay additional wages to minimum wage government employees. Any increase in local government tax revenues cannot be reliably projected but is expected to be minimal.

**Small Business Effect:** Meaningful.

## Analysis

**Bill Summary:** The bill specifies that, unless the federal minimum wage is set at a higher rate, the State minimum wage is as follows for an employer with 26 or more employees:

- \$10.10 per hour as of July 1, 2018;
- \$12.00 per hour as of July 1, 2019;
- \$13.00 per hour as of July 1, 2020;
- \$14.00 per hour as of July 1, 2021; and
- \$15.00 per hour as of July 1, 2022.

The bill specifies that, unless the federal minimum wage is set at a higher rate, the State minimum wage is as follows for an employer with 25 or fewer employees:

- \$10.10 per hour as of July 1, 2018;
- \$11.00 per hour as of July 1, 2019;
- \$12.00 per hour as of July 1, 2020;
- \$13.00 per hour as of July 1, 2021;
- \$14.00 per hour as of July 1, 2022; and
- \$15.00 per hour as of July 1, 2023.

Beginning on July 1, 2024, and in subsequent fiscal years, the State minimum wage is the rate determined and announced by the Commissioner of Labor and Industry. Generally, the rate will be the prior-year rate plus the average percentage increase, based on the most recent 12-month period, in the Consumer Price Index (CPI) for the Washington-Baltimore metropolitan area (or a successor index that is published by the U.S. Bureau of Labor Statistics (BLS)). An increase in the State minimum wage must be rounded to the nearest cent. However, if the CPI does not change during a given year, or decreases, the minimum wage remains at the same rate as that of the prior year. The commissioner must determine and announce the State minimum wage that will be in effect for the upcoming fiscal year by October 1 of each year.

By March 1, 2018, and each March 1 thereafter until the minimum wage rate is \$15.00 per hour for all employers subject to the bill, the Board of Revenue Estimates (BRE) must conduct an analysis of the State's economy and specified effects of the economy to determine whether there should be a temporary suspension of an increase to the minimum wage rate. BRE must report its findings and recommendations to the Governor, certify to the Governor and the Commissioner of Labor and Industry whether there is a need to temporarily suspend the minimum wage rate increase, and publish its findings and recommendations on a publicly accessible web site. If BRE certifies that a temporary suspension is warranted, the Governor may, but is not required to, suspend the increase for that year. The bill specifies the procedures and timing for announcing the State minimum wage rate or temporarily suspending the minimum wage rate increase for BRE, the commissioner, and the Governor. If the Governor temporarily suspends the minimum wage rate increase, all subsequent minimum wage rate increases must be postponed by an additional year.

The tip credit that employers can apply against the direct wages paid to employees classified as tipped employees may not exceed the minimum wage less:

- \$5.25 per hour as of July 1, 2018;
- \$7.50 per hour as of July 1, 2019;
- \$9.00 per hour as of July 1, 2020;
- \$10.50 per hour as of July 1, 2021;
- \$12.00 per hour as of July 1, 2022;
- \$13.50 per hour as of July 1, 2023; and
- \$15.00 per hour as of July 1, 2024.

Beginning July 1, 2025, an employer may not include a tip credit amount as part of an employee's wage and must pay an employee a wage that is at least equal to the State minimum wage. **Exhibit 1** summarizes the minimum wage rates and the minimum wage rate before the tip credit is applied under current law and as proposed under the bill.

**Exhibit 1**  
**Minimum Wage and Tip Credit**

<b>Fiscal Year</b>	<b>Current Law</b>	<b>Employers with ≤25 Employees Under the Bill</b>	<b>Employers with ≥26 Employees Under the Bill</b>	<b>Minimum Wage Before Tip Credit Current Law</b>	<b>Minimum Wage Before Tip Credit Under the Bill</b>
2018	\$9.25	\$9.25	\$9.25	\$3.63	\$3.63
2019	10.10	10.10	10.10	3.63	5.25
2020	10.10	11.00	12.00	3.63	7.50
2021	10.10	12.00	13.00	3.63	9.00
2022	10.10	13.00	14.00	3.63	10.50
2023	10.10	14.00	15.00	3.63	12.00
2024	10.10	15.00	15.00	3.63	13.50
2025	10.10	15.00 + CPI	15.00 + CPI	3.63	15.00

CPI: Consumer Price Index

Source: Department of Legislative Services

**Current Law:**

*Maryland Wage and Hour Law*

The Maryland Wage and Hour Law is the State complement to the federal Fair Labor Standards Act (FLSA). State law sets minimum wage standards to provide a maintenance level consistent with the needs of the population. State law specifies that an employee must be paid the greater of the federal minimum wage (which is currently \$7.25 per hour) or \$8.75 per hour. Under Chapter 262 of 2014, the State minimum wage is scheduled to increase on an incremental basis over the next two years to \$9.25 per hour as of July 1, 2017, and \$10.10 per hour as of July 1, 2018.

However, an employer may pay an employee a wage that equals 85% of the State minimum wage for the first six months that the employee is employed if the employee is younger than age 20. Additionally, an employer of an amusement or a recreational establishment, including a swimming pool, that meets specified conditions may pay an employee a wage that equals the greater of \$7.25 or 85% of the State minimum wage. Exceptions to the minimum wage requirement also exist for a training wage and a disabled employee of a sheltered workshop under specified conditions.

The Maryland Wage and Hour Law and minimum wage requirements do not apply to certain categories of employees, including those defined as administrative, executive, or professional; certain seasonal employees; part-time employees younger than age 16; salesmen and those who work on commission; an employer's immediate family; drive-in theater employees; employees training in a special education program in a public school; employees of an establishment that sells food and drink for on-premises consumption and has an annual gross income of \$400,000 or less; employees employed by an employer who is engaged in canning, freezing, packing, or first processing of perishable or seasonal fresh fruits, vegetables, poultry, or seafood; and certain farm workers.

The employer of a tipped employee is allowed a tip credit that can be applied against the direct wages paid by the employer. The employee can be paid tipping wages so long as the wages plus the tips received equal at least the minimum wage, the employee retains all tips, and the employee customarily receives more than \$30.00 a month in tips. The tip credit is equal to the State minimum wage, less \$3.63. Thus, the tip credit increases as the minimum wage increases, and the wage paid by employers to tipped employees remains \$3.63, as long as their wages plus tips equal the minimum wage. The State and local governments are not considered employers under the tip credit provisions of the Maryland Wage and Hour Law.

If an employer pays less than the wages required, the employee may bring an action against the employer to recover (1) the difference between the wage paid to the employee and the wage required; (2) an additional amount equal to the difference as liquidated damages; and (3) legal fees. The court must award these differences in wages, damages, and counsel fees if the court determines that an employee is entitled to recovery. However, if an employer shows to the satisfaction of the court that the employer acted in good faith and reasonably believed that the wages paid to the employee were not less than the required wages, then the court must award liquidated damages of an amount less than the difference in wages or no liquidated damages.

A person who violates the State's Wage and Hour Law is guilty of a misdemeanor and on conviction is subject to a fine of up to \$1,000.

### *Fair Labor Standards Act*

With some exceptions, similar to State law, FLSA requires that workers be paid a minimum hourly wage and that overtime compensation be paid to employees who work more than 40 hours in a week.

Under FLSA, the employer of a tipped employee is allowed a tip credit that can be applied against the direct wages paid by the employer. The employee can be paid tipping wages so long as the wages plus the tips received equal at least the minimum wage, the employee

retains all tips, and the employee customarily receives more than \$30.00 a month in tips. The tip credit is equal to \$5.12 per hour, which is the federal minimum wage less the required cash wage. Thus, the wage paid by employers under FLSA to tipped employees is \$2.13, as long as their wages plus tips equal the minimum wage.

### *Mandated Rate Increases*

In fiscal 2016 through 2019, the Governor's proposed budget for DDA must include an annual 3.5% rate increase for community services providers over the funding provided in the prior year's legislative appropriation. A portion of the funds may be allocated to address the impact of an increase in the State minimum wage on wages and benefits of direct support workers employed by community providers licensed by DDA. The Governor's proposed budget for fiscal 2016 and thereafter for community services providers must be presented in the same manner as provided for in the fiscal 2015 budget.

**Background:** As shown in **Appendix 1 – State Minimum Wage Rates for Tipped Employees, as of August 2016**, seven states required employers to pay workers the full state minimum wage before tips in 2016 (Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington). Employers could pay workers the federal tipped minimum wage of \$2.13 per hour in 18 states. The remaining states, including Maryland, allowed employers to pay tipped employees a minimum wage rate that is higher than the federal tipped minimum wage of \$2.13 per hour but lower than the state's minimum wage.

As of January 2017, as shown in **Exhibit 2**, 29 states, including Maryland, and the District of Columbia mandate a minimum wage higher than the federal minimum wage of \$7.25 per hour, with rates ranging from \$0.25 to \$4.25 above the federal rate. Five states had no mandated minimum wage, another two had a minimum wage set lower than the federal minimum wage, and the remaining 14 states used the federal minimum wage. Unless a state had a higher minimum wage rate, the federal minimum wage rate applied.

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**Exhibit 2**  
**States with Higher than Federal Minimum Wage, as of January 2017**

<u>State</u>	<u>Rate</u>	<u>State</u>	<u>Rate</u>
District of Columbia	\$11.50	Nebraska	\$9.00
Massachusetts	11.00	Michigan	8.90
Washington	11.00	<b>Maryland</b>	<b>8.75</b>
California	10.50	West Virginia	8.75
Connecticut	10.10	South Dakota	8.65
Arizona	10.00	Arkansas	8.50
Vermont	10.00	New Jersey	8.44
Alaska	9.80	Delaware	8.25
Oregon	9.75	Illinois	8.25
New York	9.70	Nevada	8.25
Rhode Island	9.60	Montana	8.15
Minnesota	9.50	Ohio	8.15
Colorado	9.30	Florida	8.10
Hawaii	9.25	Missouri	7.70
Maine	9.00	New Mexico	7.50

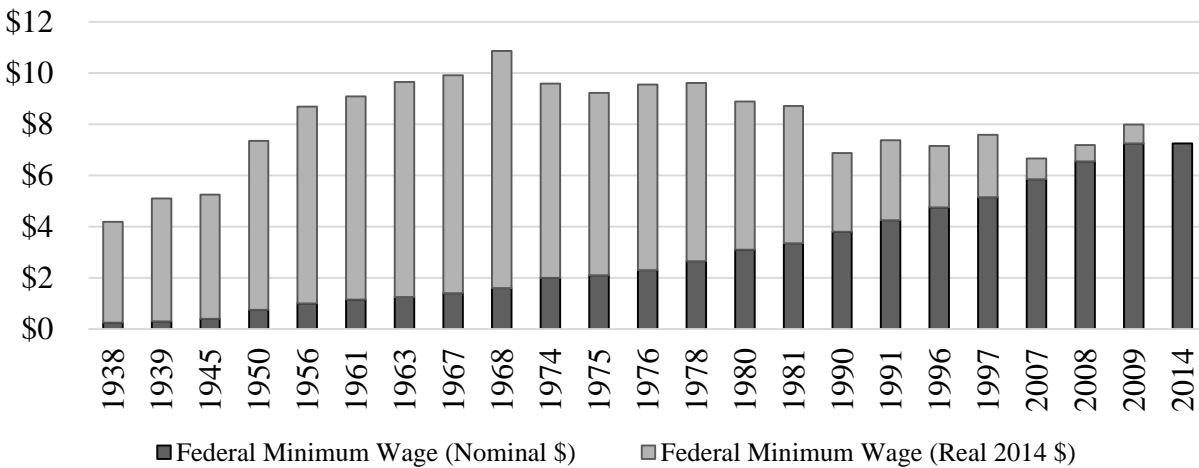
Source: U.S. Department of Labor

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*Federal Minimum Wage*

The federal minimum wage, first established in 1938, has been incrementally increased and expanded to cover additional employees through subsequent amendments to FLSA. The last increase in the federal minimum wage was in July 2009. **Exhibit 3** shows the nominal and real values for each time the minimum wage was changed, expressed in terms of July 2014 dollars. The real value reflects the purchasing power of the minimum wage, taking inflation into consideration. When Maryland established a minimum wage rate of \$6.15 in January 2006, the real value of the minimum wage then was \$7.54, in 2014 dollars.

**Exhibit 3**  
**Federal Minimum Wage in Real and Nominal Dollars**  
**1938-2014**



Source: U.S. Congressional Research Service; U.S. Bureau of Labor Statistics

*Local Jurisdiction Labor Laws*

Montgomery County and Prince George’s County passed local minimum wage laws in 2013 – Montgomery County Bill 27-13 and Prince George’s County Bill CB-94-2013. Both bills phase in minimum wage increases over four years. The bills increase the minimum wage to \$8.40 per hour beginning October 1, 2014; \$9.55 per hour beginning October 1, 2015; \$10.75 per hour beginning October 1, 2016; and \$11.50 per hour beginning October 1, 2017. The county minimum wages for Montgomery and Prince George’s counties do not apply to an employee who is exempt from the minimum wage requirements of the Maryland Wage and Hour Law or the federal FLSA or to an employee who is younger than age 19 and is employed no more than 20 hours in a week. The Montgomery County Executive recently vetoed legislation that would have increased the minimum wage in Montgomery County to \$15.00 per hour by 2020.

Baltimore City enacted a city minimum wage rate in 1964, which was challenged in the State Court of Appeals in *Mayor of Baltimore v. Sitnick*, 254 Md. 303, 255 A.2d 376 (1969). The court found that the State’s minimum wage rate did not preempt Baltimore’s minimum wage law since Baltimore’s law supplemented the State law by setting a higher rate. Baltimore City still has its own minimum wage statute with an enforcement commission, which currently enforces the State minimum wage rate in the city. Legislation was introduced in



2016 to raise the minimum wage in Baltimore City to \$15.00 per hour by fiscal 2021, but the legislation did not pass.

### *Minimum Wage Effects on the Economy*

There is much debate on how raising the minimum wage affects the economy. Positive impacts on the economy may include (1) increases in personal income; (2) decreases in employee turnover; (3) increases in local consumption; (4) higher labor force participation rates; (5) decreases in social welfare costs; and (6) higher levels of technological development, investment, and productivity.

However, on the downside, raising the minimum wage may (1) decrease demand for labor; (2) increase inflation from employers passing higher employee costs onto the consumer; (3) cause wage compression; (4) reduce local competitiveness; and (5) have disemployment effects. The disemployment effects happen when businesses hire fewer low-wage workers in response to an increase in the minimum wage; benefits to low-wage workers from increased wages may be offset by a reduction in hours worked or increased unemployment.

**State Revenues:** General fund tax revenues increase minimally from increasing the State's minimum wage beginning in fiscal 2020. Individuals earning minimum wage likely have low, if any, State income tax liability so raising the minimum wage only has a minimal effect on State income tax revenues. Any increase in personal income tax revenue is likely offset from diminished revenues from businesses with higher payroll expenses. Given that raising the minimum wage boosts the purchasing power of minimum wage workers and generates new consumer spending, general fund sales tax revenues increase minimally.

General fund revenues may increase minimally from DLLR investigating an increase in violations of the State's Wage and Hour Law under the bill.

**State Expenditures:** The bill's expenditure effects for the minimum wage increase, administrative costs, and rate increases for DDA providers are addressed separately in this section.

### *Minimum Wage Increase:*

State expenditures (all funds) increase significantly as a result of incrementally raising the State minimum wage to \$15.00 per hour by fiscal 2024; **Exhibit 4** displays some of the additional wages that must be paid to State employees in fiscal 2020 through 2022 under the bill, assuming that there are no temporary suspensions of the minimum wage rate increases.

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**Exhibit 4**  
**Effect of Phasing in a \$15.00 Minimum Wage on State Employees**  
**Fiscal 2018-2022**

<u>Additional Staffing Costs</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Senior Citizen Aides	\$0	\$0	\$500,032	\$770,952	\$1,043,432
MDOT Employees	0	0	7,505	182,388	590,144
SPS University Employees	0	0	5,710,481	9,255,925	13,025,075
Hourly/Contractual Employees within SPMS	0	0	646,976	1,460,885	2,869,893
Salaried Employees within SPMS	0	0	137,423	585,714	1,691,935
Judiciary	0	0	45,600	69,600	93,600
USM Employees	0	0	1,766,430	3,004,110	4,187,430
<b>Increase in Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,814,447</b>	<b>\$15,329,574</b>	<b>\$23,501,509</b>
Federal Fund Revenues	0	0	500,032	770,952	1,043,432
<b>Net Increase in Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,314,415</b>	<b>\$14,558,622</b>	<b>\$22,458,077</b>

MDOT: Maryland Department of Transportation  
 SPMS: State Personnel Management System  
 SPS: Statewide Personnel System  
 USM: University System of Maryland

Source: Department of Legislative Services

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Current law has the minimum wage rate set at \$10.10 per hour beginning in fiscal 2019, so State expenditures increase by \$8.8 million in fiscal 2020, which is the difference between \$10.10 and a \$12.00 wage rate established under the bill. Expenditures in future years are calculated based on the difference between the \$10.10 minimum wage rate that will be required under current law versus the rates under the bill, so by fiscal 2022, State expenditures increase by \$23.5 million. These costs do not take into account any wage adjustments to internal salary ladders. The State may increase wages for an employee who currently earns just above \$12.00 per hour in fiscal 2020 or just above \$14.00 per hour in fiscal 2022 and has more job responsibilities than a minimum wage employee. Any such wage adjustments further increase the State's expenditures, potentially significantly.

*Administrative Expenses*

The bill creates additional responsibilities for DLLR's Division of Labor and Industry by creating two different State minimum wage rates based on an employer's number of

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employees, gradually phasing out the tip credit, and providing for subsequent increases in the minimum wage. These changes are expected to significantly increase the number of inquiries and complaints related to payment of the minimum wage. DLLR cannot fully absorb the additional workload within existing resources and requires additional staff to respond to the increase in inquiries and complaints prompted by the bill.

BRE must conduct an analysis of the State’s economy and study minimum wage effects of the economy to determine whether there should be a temporary suspension of an increase to the minimum wage rate. The Comptroller’s Office advises that it currently has neither the staff/expertise to perform such an analysis nor the necessary economic model to do so; thus, it needs a permanent economist to perform the analysis. However, the Department of Legislative Services advises that the added responsibilities incurred by this legislation are not permanent and, thus, may be performed by a contractual employee. Therefore, a contractual economist is needed to perform the analysis beginning in fiscal 2018 and until the State minimum wage rate is \$15.00 per hour for all employers. Additionally, an economic dynamic model of Maryland’s economy focused on employment and wage growth must be developed, at an estimated cost of \$200,000.

Thus, general fund expenditures increase for DLLR by \$209,837 and for the Comptroller’s Office by \$258,086, totaling \$467,923 in fiscal 2018, which assumes that the staff are in place as of October 1, 2017, concurrent with the effective date of the bill. This estimate reflects the cost of hiring two DLLR wage and hour investigators to conduct outreach in the first two years, investigate complaints, and enforce the new requirements, and one contractual BRE economist to analyze the State’s economy. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Regular DLLR Positions	2
Contractual BRE Position	1
Regular DLLR Salaries and Fringe Benefits	\$87,406
Contractual BRE Salary and Fringe Benefits	52,977
DLLR Operating Expenses	122,431
BRE Operating Expenses	<u>205,109</u>
<b>Total FY 2018 State Expenditures</b>	<b>\$467,923</b>

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses. The contractual position for the Comptroller’s Office terminates in fiscal 2023.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State’s implementation of the federal Patient Protection and Affordable Care Act.

*Mandated Rate Increases for DDA Community Services Providers*

The bill establishes a mandated appropriation beginning in fiscal 2020. In fiscal 2020 through 2023, the Governor’s proposed budget for DDA *must* include an annual 3.5% rate increase for community services providers over the funding provided in the prior year’s legislative appropriation. A portion of the funds *may* be allocated to address the impact of an increase in the State minimum wage on wages and benefits of direct support workers employed by community providers licensed by DDA.

DDA expenditures increase by an estimated \$41.8 million (56% general funds, 44% federal funds) in fiscal 2020 up to \$184.0 million (56% general funds, 44% federal funds) in fiscal 2023 to provide the *mandated* 3.5% rate increase to community providers. (Federal fund revenues increase correspondingly.) The compounding effect of the 3.5% rate increase on expenditures for fiscal 2020 through 2023 is shown in **Exhibit 5**. The fiscal 2018 budget includes \$1.1 billion (total funds) for contractual expenses for DDA community services providers.

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**Exhibit 5**  
**Impact of Annual 3.5% Rate Increase for Developmental Disabilities Providers**  
**Fiscal 2020-2023**  
**(\$ in Millions)**

	<u><b>FY 2020</b></u>	<u><b>FY 2021</b></u>	<u><b>FY 2022</b></u>	<u><b>FY 2023</b></u>
General Fund Expenditures	\$23.40	\$48.38	\$75.01	\$103.01
Federal Fund Expenditures	18.39	38.01	58.93	80.94
<b>Total Expenditures</b>	<b>\$41.79</b>	<b>\$86.39</b>	<b>\$133.94</b>	<b>\$183.95</b>

Source: Department of Legislative Services

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**Local Fiscal Effect:** Expenditures could increase significantly by fiscal 2022 for some local governments to pay employees (typically part-time or contractual employees) the minimum wage rates specified in the bill. For example, Anne Arundel County has 700 hourly employees, 80% of whom are seasonal, making less than \$12.00 per hour. Thus, the county estimates expenditures increasing by \$400,000 in fiscal 2020. Charles County estimates expenditures increase by \$213,300 in fiscal 2020 and by \$584,600 in fiscal 2022 to provide 752 employees the required minimum wage under the bill. By fiscal 2022, Montgomery County estimates a \$1.5 million increase in expenditures for increased payroll expenses of seasonal employees.

The Maryland Municipal League advises that increasing the minimum wage significantly impacts cities and towns that employ part-time and seasonal workers who are paid below the minimum wage rates specified in the bill.

**Small Business Effect:** Small businesses in the State that employ minimum wage or low-wage workers experience significant increases in their labor costs due to the bill. The impact is even greater for small businesses that employ tipped employees.

BLS reports there were 43,090 waiters and waitresses in the State in 2013, earning median hourly wages of \$8.71. By phasing out the tip credit and raising the State minimum wage, an employer must pay a tipped employee an hourly wage rate of \$15.00 instead of \$3.63 by fiscal 2025. Thus, the bill has a significant adverse impact on small businesses that pay tipped employees.

To the extent that higher wages increase worker productivity, businesses would be less affected by the provisions of the bill. Additionally, minimum wage workers tend to have a low saving rate, so increasing their wages could lead to additional consumer spending for small businesses.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1416 (Delegate Waldstreicher, *et al.*) - Economic Matters.

**Information Source(s):** Anne Arundel, Baltimore, Charles, and Montgomery counties; Comptroller's Office; Governor's Office; Judiciary (Administrative Office of the Courts); University System of Maryland; Department of Budget and Management; Department of Labor, Licensing, and Regulation; Maryland Department of Transportation; U.S. Department of Labor; Department of Legislative Services

**Fiscal Note History:** First Reader - March 6, 2017  
md/mcr

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**Appendix 1 – State Minimum Wage Rates for Tipped Employees, as of August 2016**

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<u>State</u>	<u>Combined Cash &amp; Tip Rate</u>	<u>Tip Credit</u>	<u>Cash Wage</u>
<b>Federal</b>	<b>\$7.25</b>	<b>\$5.12</b>	<b>\$2.13</b>
Alabama*	7.25		2.13
Alaska	9.75		9.75
Arizona	8.05	\$3.00	5.05
Arkansas	8.00	\$5.37	2.63
California	10.00		10.00
Colorado	8.31	\$3.02	5.29
Connecticut	9.60		9.60
Delaware	8.25	\$6.02	2.23
District of Columbia	11.50	\$8.73	2.77
Florida	8.05	\$3.02	5.03
Georgia	7.25		2.13
Hawaii	8.50	\$0.75	7.75
Idaho	7.25	\$3.90	3.35
Illinois	8.25	40%	4.95
Indiana	7.25	\$5.12	2.13
Iowa	7.25	\$2.90	4.35
Kansas	7.25	\$5.12	2.13
Kentucky	7.25	\$5.12	2.13
Louisiana*	7.25		2.13
Maine	7.50	50%	3.75
<b>Maryland</b>	<b>\$8.75</b>	<b>\$5.12</b>	<b>\$3.63</b>
Massachusetts	10.00	\$6.65	3.35
Michigan	8.50	\$5.27	3.23
Minnesota	9.50		9.50
Mississippi*	7.25		2.13
Missouri	7.65	50%	3.825
Montana	8.05		8.05
Nebraska	9.00	\$6.87	2.13
Nevada	8.25		8.25
New Hampshire	7.25	55%	45%
New Jersey	8.38	\$6.25	\$2.13
New Mexico	7.50	\$5.37	2.13
New York	9.00	\$1.50	7.50
North Carolina	7.25	\$5.12	2.13
North Dakota	\$7.25	33%	\$4.86

<u>State</u>	<u>Combined Cash &amp; Tip Rate</u>	<u>Tip Credit</u>	<u>Cash Wage</u>
Ohio	\$8.10	\$4.05	\$4.05
Oklahoma	7.25	\$5.12	2.13
Oregon	9.75		9.75
Pennsylvania	7.25	\$4.42	2.83
Rhode Island	9.60	\$6.21	3.39
South Carolina*	7.25		2.13
South Dakota	8.50	50%	4.25
Tennessee*	7.25		2.13
Texas	7.25	\$5.12	2.13
Utah	7.25	\$5.12	2.13
Vermont	9.60	50%	4.80
Virginia	7.25	\$5.12	2.13
Washington	9.47		9.47
West Virginia	8.75	70%	2.62
Wisconsin	7.25	\$4.92	2.33
Wyoming	5.15	\$3.02	2.13

\*No state minimum wage law; subject to the Fair Labor Standards Act.

Source: U.S. Department of Labor