



OFFICE OF PROCUREMENT

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County Executive

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House Economic Matters Committee

**Testimony of Edward Stockdale
In Support of HB 430
State Procurement Contracts - Living Wage**

February 20, 2007

Good afternoon Mr. Chairman and Members of the Committee.

For the record, my name is Ed Stockdale and I am the Acting Director of the Montgomery County Office of Procurement.

In March of 2002, our living wage bill was introduced to the Montgomery County Council. The intent of the bill was to improve the living standards of hard working residents of Montgomery County. Employers also would benefit by a reduction in employee turnover and by increased productivity.

The bill was passed by the County Council on June 11, 2002, signed by the County Executive on June 20, 2002, and became effective on July 1, 2003. Three years prior to this, a similar bill had been narrowly defeated.

The bill requires that **for profit companies** with more than ten employees and \$50,000 in County service contracts must pay an employee at least \$10.50 per hour during the time that employee actually provides services to the County. This rate is adjusted on July 1st of each year based upon the increase, if any, of the consumer price index for the Washington-Baltimore metropolitan area. Based upon these adjustments, the current rate is \$11.60 per hour.

Contractors who offer health insurance may reduce the hourly rate by the hourly cost of the employer's share of the employee's health benefits.

Exceptions to the coverage include non-profit organizations, public utility contracts, and bridge contracts (piggybacking).

Upon enactment of the bill, contractors with contracts executed prior to the effective date of the law were offered an opportunity to renegotiate their contracts in order to comply with the living wage law. Fourteen vendors voluntarily chose to renegotiate their contracts and pay the living wage rate to their employees.

Prior to the law going into effect, significant additions were made to our procurement documents. In addition to the forms required, we provided a cover sheet on all new solicitations to ensure all vendors were aware of the requirements of the new law.

Although it is difficult to calculate due to changing county requirements and market conditions, the office of management and budget concluded that contract pricing to the County as a result of the living wage increased by about \$1.3 million the first year. Administrative costs increased by about \$100,000. This contract pricing increase was largely attributable to recycling and waste disposal services, custodial services, and security services. To put this additional cost in perspective, the total of all procurements processed by our office for that same year was \$542,000,000. Therefore, the living wage law in its first year resulted in a contracting cost increase of 0.2%.

Montgomery County currently has 275 service contracts covered under the living wage law.

The following are enforcement tools under the law:

1. Covered employers must certify that their employees and subcontractors are aware, and will comply with the applicable wage rate.
2. Employers must keep and submit any records required to show compliance.
3. Employers must conspicuously post notices informing employees of the law. (The office of procurement provides these notices to the employer each year with the current wage rate).
4. Employers must not retaliate against employees for asserting rights under the law, or for filing a complaint.
5. The county may assess liquidated damages and perform audits as needed.

To date we have found two contractors who have not been in compliance with the law and those contracts have been terminated. We are currently doing a review in order to refine our administrative process to assure that those covered under our law are receiving the living wages to which they are entitled. Although the review is not complete, my sense is that we will be requiring additional enforcements measures.

Compliance with the law is critical -- not only for the obvious reason of proper wage payment to employees, but also from a procurement perspective, we must maintain a level playing field for those vendors submitting bids or proposals in response to solicitations covered by the law.

In summation, the County believes the living wage bill passed by Montgomery County has provided significant benefits to many low-wage workers in our County. Therefore, we would recommend passage of House Bill 430 to provide those same benefits under State procurement contracts.