





February 26, 2025

FISCAL AND POLICY NOTE

TO: Jennifer A. Jenkins
Council Administrator

Colette R. Gresham, Esq.
Deputy Council Administrator

THRU: Josh Hamlin 
Director of Budget and Policy Analysis

FROM: Roger G. Banegas 
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-005-2025 Minimum Wage Indexing

CB-005-2024 (*Proposed by:* Council Members Dernoga, Oriadha, and Ivey)

Assigned to the Government Operations and Fiscal Policy (GOFP) Committee

AN ACT CONCERNING MINIMUM WAGE INDEXING for the purpose of indexing Prince George's County's minimum wage to the Consumer Price Index and addressing the adverse impact on Direct Support Professionals.

Fiscal Summary

Direct Impact

Expenditures: Potentially significant increased expenditures, entirely dependent on the State's adjustment of DSP reimbursement rates.

Revenues: No anticipated revenue impact.

Indirect Impact

Likely Favorable.

Legislative Summary:

CB-005-2025¹, proposed by Council Members Dernoga, Oriadha, and Ivey, was presented on January 28th, 2025, and referred to the Government Operations and Fiscal Policy Committee. This bill would index the minimum wage available in the County to the Consumer Price Index by repealing Subtitle 13A. Section 13A-117 of the County's Labor Code and reenact it with amendments. The County first enacted a phased minimum wage law in 2013 (CB-94-2013), however, the last increase was in 2017². The proposed Bill would remedy the adverse impact of the challenges of Direct Support Professionals.

Current Law/Background:

State Law:

The Maryland Department of Health's Developmental Disabilities Administration (DDA) works together with children and adults who have intellectual and developmental disabilities to get support and resources so that they can have good lives³ as they are the main Maryland state agency that pays for services in communities for people with intellectual and developmental disabilities. During the current 2025 Maryland General Assembly session, Governor Wes Moore's budget proposed \$200 million in cuts to the DDA beginning this year and extending into fiscal 2026 as the State prepares to battle its budget deficit. Following the public's statements and remarks along with overwhelming support for the DDA, the Moore Administration and legislative budget leaders said they had agreed to "reprioritize" about \$76 million in proposed DDA cuts that would have taken effect on April 1⁴. The \$76 million restores 94% of the DDA's budget for fiscal year 2025. However, there are still concerns about the future of funding for Direct Support Professionals.

Direct Support Professionals are service-based workers who provide essential services to individuals with disabilities. In order to provide them with proper compensation, the Maryland Department of Health/Developmental Disabilities Administration (DDA) issued a solicitation for a cost and rate study for this project that follows a set of objectives that were included in a piece of legislation passed by the Maryland General Assembly in 2014⁵. The DDA contracted with Johnston, Villegas-Grubbs and Associates LLC (JVGA), a minority-owned consulting firm established in 2004. The principal, John Villegas-Grubbs, designed and piloted one of the first

¹ [CB-005-2025](#)

² [CB-094-2013](#)

³ [About DDA](#)

⁴ [Developmental Disability budget cuts delayed for now, but still loom for next year](#)

⁵ [Health.Maryland.gov - Rate Setting Study](#)

component-driven standard fee systems in Medicaid in the country (1995), which came to be called the Brick Method™. The method studies the relationship between cost categories, such as Program Support and employee-related expenses, to determine the components of the method. The foundation of the Brick™ is, of course, the wage for the direct support professionals. The other components are Employment Related Expenses, Facility Costs (for day habilitation only), Program Support, and General and Administrative⁶. Transportation costs were also added as Direct Support Professionals are crucial to getting out to the community. One recommendation that JVGA gave was that, although there are areas of the state that are establishing new minimum wage levels specific to certain jurisdictions, it does not recommend attempting to establish direct care rates based on minimum wage⁷.

Current County Law:

CB-094-2013, which took effect in February of 2014, increased the minimum wage for employees in the County 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 beginning October 1, 2017, the minimum wage in the County was adjusted to \$11.50 per hour⁸. Consequently, as the State's minimum wage is \$15 per hour, which is higher than the County's minimum wage, employees in the County are currently paid at the State rate.

CB-088-2024⁹ indexed the minimum wage for workers in the County by taking the average percentage growth of the Consumer Price Index for All Urban Consumers (CPI-U) for the past 12-month period, beginning March 1, 2025, but the average percentage growth may not go beyond five (5) percent. In FY 2025, the County allocated \$4,585,000 in grant funding to support developmental disability service providers. Section 13A-118¹⁰ of the County Code defines Developmental Disabilities (DDA) Providers as "entities that provide services as defined in Section 7-101¹¹ of the Health-General Article of the Annotated Code of Maryland including individual support services, habilitation services, service coordination, treatment, vocational service, alternative living units, and group homes. This list of services is intended to be indicative of the types of services but not exhaustive". In previous fiscal years, the County has allocated grants to support developmental disability service providers in the amount of \$4,585,000 in FY 2024 and \$4,385,000 in FY 2023.

Relevant legislation from Other Jurisdictions:

In November of 2017, the Montgomery County Council passed Bill 28-17, which required the Chief Administrative Officer to adjust and increase the county minimum wage by a certain amount each year¹². Stating in 2021, the bill required annual adjustments to the minimum wage by the

⁶ Ibid.

⁷ Ibid.

⁸ [CB-094-2013](#)

⁹ [CB-088-2024](#)

¹⁰ [Sec. 13A-118 of the Prince George's County, MD Code](#)

¹¹ [MD Health - General Code § 7-101 \(2024\)](#)

¹² [Montgomery County Council - Legislative Information Management System – bill details \(montgomerycountymd.gov\)](#)

annual average increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the previous calendar year, thereby keeping pace with inflation¹³. On July 1st of each year, the minimum wage in Montgomery County is adjusted. In 2023, the minimum wage increased to \$16.70 per hour¹⁴. In 2024, the minimum wage increased to \$17.15 per hour¹⁵. There is some variation in this rule, as it only applies to businesses which employ more than 50 individuals¹⁶. For medium and small businesses, the rate increased only by 50 cents or stayed at \$15 per hour, respectively¹⁷.

Resource Personnel:

- Leroy Maddox, Legislative Officer
- Michelle Garcia, Chief of Staff, Council District 1

Discussion/Policy Analysis:

CB-005-2025 would repeal and reenact Section 13A-117 of the Prince George's County Code with the following amendments relating to Minimum Wage Indexing:

Sec. 13A-117(i) Direct Support Professionals. The previous language related to Direct Support Professionals (DSP) stated that any minimum wage increases that resulted in the average DSP wage falling twenty percent (20%) below the minimum wage be carefully considered. The new proposed language states that in order to ensure that the wages for Direct Support Professionals are commensurate with the professional positions that they occupy and to ensure that the County is financially capable of funding the Direct Support Professionals Wage Supplements, the County shall include in the annual operating budget an amount determined as follows:

- (1) For every percentage increase in the minimum wage rate determined under subsection (g), reduced by the amount of the percentage increase in the State Direct Support Professionals reimbursement rate for the fiscal year, the County will increase the total Direct Support Professionals Wage Supplement by such percentage multiplied by the prior calendar year's total wages and employee-related expenses for County Direct Support Professionals reported to the State.
- (2) If the County General fund revenues for the fiscal year are projected to increase less than the Consumer Price Index, then the County Council may reduce the increase in the minimum wage rate determined under subsection (g) by up to two percent (2%).

In other words, the intention of the proposed amendments ensure that the wages of Direct Support Professionals keep pace with changes in the minimum wage while taking into account the State's

¹³ Ibid

¹⁴ [Montgomery County Minimum Wage Increases July 1 – Conduit Street \(mdcounties.org\)](https://mdcounties.org/montgomery-county-minimum-wage-increases-july-1-conduit-street)

¹⁵ [Office of Human Rights - Minimum Wage \(montgomerycountymd.gov\)](https://montgomerycountymd.gov/office-of-human-rights-minimum-wage)

¹⁶ Ibid

¹⁷ Ibid

reimbursement rate. Maintaining competitive wages for DSPs is necessary in terms of recruitment and retention, as their work is critical to those in need of professional assistance. Subsections (1) and (2) of Sec. 13A-117(i) combine to make the annual operating budget amount and can be calculated using the formula below:

$$\text{Wage Supplement Increase} = ((\text{Percentage Increase in Minimum Wage} - \text{Percentage Increase in State DSP Reimbursement Rate}) - \text{Adjustment Due to Revenue Constraints}) \times \text{Prior Year's Total Wages and Employee-Related Expenses}$$

For Example, if the Percentage Increase in Minimum Wage is 4%, the State DSP Reimbursement Rate Increase Rate is 2%, and the Total DSP Wages and Employee-Related Expenses from Last Year are \$6,500,000 with a 0% revenue constraint, this can be calculated as $((4\% - 2\%) - 0\%) \times \$6,500,000$. The Wage supplement increase would then be $2\% \times \$6,500,000 = \$130,000$.

Fiscal Impact:

- *Direct Impact*

The enactment of CB-005-2025 may have an adverse fiscal impact on the County depending on the iState's adjustment to the DSP reimbursement rates. If the State adjusts the rates annually, by an amount equal to or greater than the amount of the increase in the County's minimum wage calculated pursuant to Sec. 13A-117, there will be no impact. However, if the State does not equal that increase in its reimbursement, the County will be committed to making up the difference as illustrated in the model above. The impact of a series of such annual increases over time may be significant.

- *Indirect Impact*

As a higher minimum wage is generally seen as having a stimulating effect on the economy, by boosting consumer spending, and raising families out of poverty, the proposed legislation will have broad positive indirect impacts throughout the County¹⁸. Furthermore, increased salaries for those who both live and work within the County may potentially mean fewer households needing to use social services provided by the County, and having more households earning more taxable income would mean that those social service programs would be better funded.

- *Appropriated in the Current Fiscal Year Budget*

No.

Effective Date of Proposed Legislation:

¹⁸ [Increases in minimum wage boost consumer spending | Economic Policy Institute \(epi.org\)](#)

The proposed Act shall take effect forty-five (45) calendar days after it becomes law.

If you require additional information, or have questions about this fiscal impact statement, please reach out to me via phone or email.