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Massachusetts Legislature Passes Minimum Wage Increase and Economic Development Package

July 01, 2014 | Advisory | By George Atanasov, **Julie Cox**, James Sasso

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In a previous article, "**Massachusetts Legislature Considers Unemployment Insurance Reform and Minimum Wage Increase**," we outlined the Massachusetts House and Senate's separate plans to increase the minimum wage and reform the unemployment insurance system. With the end of the legislative session in sight, House and Senate leaders have agreed to a compromise bill that both increases the minimum wage to $11 an hour and reforms the unemployment insurance system to provide the system with more stability.

On June 12, 2014, the Senate voted 35-4 in favor of legislation that raises the minimum wage to $11 an hour by 2017. The wage will be raised $1 from the current $8 an hour every year, starting on January 1, 2015 so that the wage will be $9 an hour in 2015, $10 an hour in 2016, and $11 an hour in 2017. Unlike earlier proposals in the Senate, this bill does not index the minimum wage to inflation, making a future fight over the wage more likely. The compromise bill also increases the minimum wage for tipped employees from $2.63 to $3.75 an hour, which is significantly lower than in earlier legislative proposals. Additionally, the minimum wage for agricultural and farming workers was raised from $1.60 to $8 an hour.

Under the proposed bill, over 575,000 Massachusetts workers will get a raise. Senator Dan Wolf (D-Harwich) argued that the bill will act as an economic stimulus that will put an average of $6,000 in the pockets of minimum wage earners that they will then put back into the economy.

On June 18, 2014, the House voted 124-24 in favor of the bill, which will give Massachusetts the highest minimum wage in the country. The bill was signed by Governor Patrick on June 26, 2014.

Democratic legislative leaders correctly hoped that this bill is enough to stave off a ballot initiative that would raise the minimum wage to $10.50 an hour indexed to inflation. On June 23, 2014, Raise-Up Massachusetts, the primary sponsor of the ballot initiative, said that it is no longer necessary given the legislative action.

The compromise also reforms unemployment insurance by adjusting the rates paid by businesses to cover benefit costs for the jobless, which aims at avoiding steep increases in rates. There will be lower costs for employers with stable workforces.

In addition to the minimum wage and unemployment insurance reform, the House passed an economic development package on Wednesday, June 16. The bill, which passed 125-23, includes $10 million for brownfield redevelopment, $15 million for a middle skills job training fund, job boosting efforts for Gateway Cities, and a Big Data Innovation and Workforce Fund, which focuses on analytics and data-based industries. Notably, the bill omitted Governor Patrick's proposed reforms of eliminating non-compete agreements and putting more power over the issuance of liquor licenses into the hands of municipal governments.

The House also voted 132-13 to create a sales tax holiday weekend from August 16-17 this year. The Legislature has enacted this holiday in every year except for 2009. Last year, the state lost an estimated $24.6 million in revenue because of the holiday. A voice vote rejected a Republican move to make the holiday permanent. While the House then rejected a meals tax holiday, they agreed on a vote of 102-37 to study the issue.

The Senate is expected to release their economic development bill imminently.

Finally, the Senate passed a $1 billion bond bill that authorizes financing for an expansion of the Boston Convention and Exhibit Center, which will double its convention and exhibition space. The bonds for this bill will be funded from existing tourism taxes. A provision in the bill allows for the treasurer and secretary of administration and finance to increase the Boston hotel room tax to 14 percent, if the funding to pay off the debt does not come through. The House previously passed a bill to expand the Convention Center.

According to Senator Brian Joyce (D-Milton), the predictions of 2,100 new permanent jobs might be overly optimistic. Senate President Therese Murray said that the expansion will “allow more events, both national and international to come to Massachusetts and help to firmly place ourselves in a cutting-edge world economy” because the state’s current convention centers, facilities, and hotel space pale compared to other states.

ML Strategies will continue to monitor the final weeks of the 2013-14 legislative session, which ends on July 31st.

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