

## Chapter 262

(House Bill 295)

AN ACT concerning

### Maryland Minimum Wage Act of 2014

FOR the purpose of specifying the State minimum wage rate that is in effect for certain time periods; ~~increasing, except under certain circumstances, the State minimum wage rate in effect for certain periods of time based on the annual growth in the Consumer Price Index; requiring the Commissioner of Labor and Industry, beginning on a certain date and each subsequent year, to determine and announce the growth in the Consumer Price Index, if any, and the new State minimum wage rate; authorizing certain amusement and recreational establishments to pay certain employees a certain wage under certain circumstances; authorizing certain employers to pay certain employees who are under a certain age a certain wage under certain circumstances;~~ repealing the exemption from the Maryland Wage and Hour Law for certain individuals; ~~altering a certain exemption from the Maryland Wage and Hour Law for certain individuals; altering~~ repealing the certain exemptions from a certain provision of law related to the payment of overtime wages; altering the exemption from a certain provision of law related to the payment of overtime wages for certain amusement and recreational establishments; altering the percentage of the minimum wage rate that may be included by prohibiting the tip credit amount an employer as a tip credit amount may include as part of an employee's wage from exceeding a certain minimum wage less a certain dollar amount, rather than a certain percentage of the minimum wage; altering the number of hours to be used by certain employers to compute overtime wages for certain employees; repealing the authorization for certain employers to use a certain number of hours to compute overtime wages for certain employees; requiring a court, under certain circumstances, to make a certain award to an employee; ~~authorizing~~ requiring a court, under certain circumstances, to determine that liquidated damages should not be awarded or to award a lesser amount than required under a certain provision of this Act; requiring, rather than authorizing, a court, under certain circumstances, to award an employee certain fees and costs; requiring the Department of Health and Mental Hygiene to increase reimbursement of certain providers under certain circumstances; requiring the Governor, in certain fiscal years, to include in a certain budget proposal certain funding increases; requiring the presentation of certain proposed budgets for certain community service providers in a certain manner; authorizing the allocation of certain funds for certain purposes; repealing certain obsolete provisions relating to certain reimbursements for certain providers; repealing a certain defined term; defining a certain term; providing for the application of a certain provision of this Act; providing for a delayed effective

~~date~~ and generally relating to the payment of wages under the Maryland Wage and Hour Law *and payments for community service providers*.

BY repealing and reenacting, with amendments,

Article – Labor and Employment

Section 3–403, 3–413, 3–415(b), 3–419, ~~3–420(b)~~, ~~3–420~~, and 3–427

Annotated Code of Maryland

(2008 Replacement Volume and 2013 Supplement)

BY repealing and reenacting, without amendments,

Article – Labor and Employment

Section 3–415(a)

Annotated Code of Maryland

(2008 Replacement Volume and 2013 Supplement)

*BY repealing and reenacting, with amendments,*

*Article – Health – General*

*Section 7–307*

*Annotated Code of Maryland*

*(2009 Replacement Volume and 2013 Supplement)*

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

### **Article – Labor and Employment**

3–403.

~~(a)~~ This subtitle does not apply to an individual who:

(1) is employed in a capacity that the Commissioner defines, by regulation, to be administrative, executive, or professional;

(2) is employed in a nonadministrative capacity at an organized camp, including a resident or day camp;

(3) is under the age of 16 years and is employed no more than 20 hours in a week;

(4) is employed as an outside salesman;

(5) is compensated on a commission basis;

(6) [is at least 62 years old and is employed no more than 25 hours in a week;

(7) is a child, parent, spouse, or other member of the immediate family of the employer;

~~(8)~~ (7) is employed in a ~~motion picture or drive-in theater~~;

(9) ~~(7)~~ (8) is employed as part of the training in a special education program for emotionally, mentally, or physically handicapped students under a public school system;

(10) ~~(8)~~ (9) is employed by an employer who is engaged in canning, freezing, packing, or first processing of perishable or seasonal fresh fruits, vegetables, or horticultural commodities, poultry, or seafood; ~~OR~~

(11) ~~(9)~~ (10) engages in the activities of a charitable, educational, not for profit, or religious organization if:

- (i) the service is provided gratuitously; and
- (ii) there is, in fact, no employer-employee relationship; ~~OR~~

~~(12)~~ (11) is employed in a cafe, drive-in, drugstore, restaurant, tavern, or other similar establishment that:

- (i) sells food and drink for consumption on the premises; and
- (ii) has an annual gross income of ~~\$250,000~~ \$400,000 or less; ~~OR~~

~~(b) This subtitle does not apply to an individual who:~~

~~(1)~~ (12) is employed in agriculture if, during each quarter of the preceding calendar year, the employer used no more than 500 agricultural-worker days;

~~(2)~~ (13) is engaged principally in the range production of livestock; or

~~(3)~~ (14) is employed as a hand-harvest laborer and is paid on a piece-rate basis in an operation that, in the region of employment, has been and customarily and generally is recognized as having been paid on that basis, if:

- (i) the individual:
  1. commutes daily from the permanent residence of the individual to the farm where the individual is employed; and

2. during the preceding calendar year, was employed in agriculture less than 13 weeks; or

(ii) the individual:

1. is under the age of 17;

2. is employed on the same farm as a parent of the individual or a person standing in the place of the parent; and

3. is paid at the same rate that an employee who is at least 17 years old is paid on the same farm.

3-413.

~~(a) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.~~

~~(2) "CONSUMER PRICE INDEX" MEANS THE CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS FOR THE WASHINGTON-BALTIMORE METROPOLITAN AREA OR A SUCCESSOR INDEX PUBLISHED BY THE FEDERAL BUREAU OF LABOR STATISTICS.~~

~~(3) [In this section, "employer"] "EMPLOYER" includes a governmental unit.~~

(a) In this section, "employer" includes a governmental unit.

(b) Except as provided in SUBSECTION (D) OF THIS SECTION AND § 3-414 of this subtitle, each employer shall pay:

(1) to each employee who is subject to both the federal Act and this subtitle, at least the greater of:

(i) the minimum wage for that employee under the federal Act; or

(ii) [a wage that equals a rate of \$6.15 per hour] **THE STATE MINIMUM WAGE RATE SET UNDER SUBSECTION (C) OF THIS SECTION**; and

(2) each other employee who is subject to this subtitle, at least:

(i) the greater of:

1. the highest minimum wage under the federal Act; or

2. [a wage that equals a rate of \$6.15 per hour] **THE STATE MINIMUM WAGE RATE SET UNDER SUBSECTION (C) OF THIS SECTION;** or

(ii) a training wage under regulations that the Commissioner adopts that include the conditions and limitations authorized under the federal Fair Labor Standards Amendments of 1989.

**(C) ~~(A)~~ THE STATE MINIMUM WAGE RATE IS:**

~~(A) (1) FOR THE 12-MONTH 6-MONTH PERIOD BEGINNING JULY 1, 2014 JANUARY 1, 2015, \$8.20 \$8.00 PER HOUR;~~

~~(H) (2) FOR THE 12-MONTH PERIOD BEGINNING JULY 1, 2015 JANUARY 1, 2016 JULY 1, 2015, \$9.15 \$8.25 PER HOUR; AND~~

~~(HH) (3) FOR THE 12-MONTH PERIOD FOR THE 12-MONTH PERIOD BEGINNING JULY 1, 2016 JANUARY 1, 2017 JULY 1, 2016, \$10.10 \$8.75 PER HOUR HOUR;~~

~~(4) FOR THE 12-MONTH PERIOD BEGINNING JULY 1, 2017, \$9.25 PER HOUR; AND~~

~~(5) BEGINNING JULY 1, 2018, \$10.10 PER HOUR; AND~~

~~(IV) FOR THE 12-MONTH PERIOD BEGINNING JULY 1, 2017, AND EACH SUBSEQUENT 12-MONTH PERIOD, THE RATE DETERMINED AND ANNOUNCED BY THE COMMISSIONER UNDER PARAGRAPH (2)(H) OF THIS SUBSECTION;~~

~~(2) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (H) OF THIS PARAGRAPH, FOR THE 12-MONTH PERIOD BEGINNING JULY 1, 2017, AND EACH SUBSEQUENT 12-MONTH PERIOD, THE STATE MINIMUM WAGE RATE SHALL BE INCREASED BY THE AMOUNT, ROUNDED TO THE NEAREST CENT, THAT EQUALS THE PRODUCT OF:~~

~~1. THE STATE MINIMUM WAGE RATE IN EFFECT FOR THE PRECEDING 12-MONTH PERIOD; AND~~

~~2. THE ANNUAL PERCENTAGE GROWTH IN THE CONSUMER PRICE INDEX, AS DETERMINED BY THE COMMISSIONER UNDER SUBPARAGRAPH (H)1 OF THIS PARAGRAPH.~~

~~(H) BEGINNING ON MARCH 1, 2017, AND EACH SUBSEQUENT MARCH 1, THE COMMISSIONER SHALL DETERMINE AND ANNOUNCE:~~

~~1. THE ANNUAL PERCENTAGE GROWTH, IF ANY, IN THE CONSUMER PRICE INDEX BASED ON THE MOST RECENT 12 MONTH PERIOD FOR WHICH DATA IS AVAILABLE ON MARCH 1; AND~~

~~2. THE STATE MINIMUM WAGE RATE EFFECTIVE FOR THE 12 MONTH PERIOD BEGINNING ON THE FOLLOWING JULY 1.~~

~~(H) IF THERE IS A DECLINE OR NO GROWTH IN THE CONSUMER PRICE INDEX, THE STATE MINIMUM WAGE RATE SHALL REMAIN THE SAME AS THE RATE THAT WAS IN EFFECT FOR THE PRECEDING 12 MONTH PERIOD.~~

(D) (1) (I) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION AND SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, AN EMPLOYER MAY PAY AN EMPLOYEE A WAGE THAT EQUALS A RATE OF 85% OF THE STATE MINIMUM WAGE ESTABLISHED UNDER THIS SECTION IF THE EMPLOYEE IS UNDER THE AGE OF 20 YEARS.

(II) AN EMPLOYER MAY PAY TO AN EMPLOYEE THE WAGE PROVIDED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH ONLY FOR THE FIRST 6 MONTHS THAT THE EMPLOYEE IS EMPLOYED.

(2) (I) THIS SUBSECTION PARAGRAPH APPLIES ONLY TO AN EMPLOYER THAT IS AN AMUSEMENT OR A RECREATIONAL ESTABLISHMENT, INCLUDING A SWIMMING POOL, IF THE EMPLOYER:

~~(H)~~ 1. OPERATES FOR NO MORE THAN 7 MONTHS IN A CALENDAR YEAR; OR

~~(H)~~ 2. FOR ANY 6 MONTHS DURING THE PRECEDING CALENDAR YEAR, HAS AVERAGE RECEIPTS IN EXCESS OF THAT DO NOT EXCEED ONE-THIRD OF THE AVERAGE RECEIPTS FOR THE OTHER 6 MONTHS.

~~(2)~~ (II) AN EMPLOYER MAY PAY AN EMPLOYEE A WAGE THAT EQUALS A RATE THE GREATER OF:

~~(H)~~ 1. IF THE EMPLOYEE IS NOT SUBJECT TO THE FEDERAL ACT, \$7.25 PER HOUR 85% OF THE STATE MINIMUM WAGE ESTABLISHED UNDER THIS SECTION; OR

~~(H) 2. IF THE EMPLOYEE IS SUBJECT TO THE FEDERAL ACT, THE MINIMUM WAGE FOR THAT EMPLOYEE UNDER THE FEDERAL ACT \$7.25.~~

3-415.

(a) Except as otherwise provided in this section, each employer shall pay an overtime wage of at least 1.5 times the usual hourly wage, computed in accordance with § 3-420 of this subtitle.

(b) This section does not apply to an employer that is:

(1) subject to 49 U.S.C. § 10501;

~~[(2) an establishment that is a hotel or motel;~~

(3) an establishment that is a restaurant;

(4) considered a gasoline service station because the employer is engaged primarily in selling gasoline and lubricating oil, even if the employer sells other merchandise or performs minor repair work;

(5) a bona fide private country club;

(6) a not for profit entity and is engaged primarily in providing temporary at-home care services, such as companionship or delivery of prepared meals, to aged or sick individuals, individuals with disabilities, or individuals with a mental disorder;]

~~(2) A MOTION PICTURE OR DRIVE-IN THEATER;~~

~~[(7) (3) (2) a not for profit concert promoter, legitimate theater, music festival, music pavilion, or theatrical show; or~~

~~[(8) (4) (3) an amusement or recreational establishment, including a swimming pool, if the establishment:~~

(i) operates for no more than 7 months in a calendar year; or

(ii) for any 6 months during the preceding calendar year, has average receipts ~~in excess of~~ **THAT DO NOT EXCEED** one-third of the average receipts for the other 6 months.

3-419.

- (a) (1) This section applies to each employee who:
- (i) is engaged in an occupation in which the employee customarily and regularly receives more than \$30 each month in tips;
  - (ii) has been informed by the employer about the provisions of this section; and
  - (iii) has kept all of the tips that the employee received.
- (2) Notwithstanding paragraph (1)(iii) of this subsection, this section does not prohibit the pooling of tips.
- (b) Subject to the limitations in this section, an employer may include, as part of the wage of an employee to whom this section applies:
- (1) an amount that the employer sets to represent the tips of the employee; or
  - (2) if the employee or representative of the employee satisfies the Commissioner that the employee received a lesser amount in tips, the lesser amount.
- (c) The tip credit amount that the employer may include under subsection (b) of this section may not exceed ~~[50%]~~ **30%** of the minimum wage established under § 3-413 of this subtitle for the employee LESS \$3.63.

~~§ 420.~~

~~(a) Except as otherwise provided in this section, an employer shall compute the wage for overtime under § 3-415 of this subtitle on the basis of each hour over 40 hours that an employee works during 1 workweek.~~

~~(b) Notwithstanding [§ 3-415(b)(8)] § 3-415(B)(3) of this subtitle, an employer that is not a not for profit organization and is a concert promoter, legitimate theater, music festival, music pavilion, or theatrical show shall pay overtime for a craft or trade employee as required in subsection (a) of this section.~~

~~(c) The wage for overtime may be computed on the basis of each hour over [60] 48 hours that an employee works during 1 workweek:~~

~~(1) for an employee who:~~

~~[(1)] (I) is engaged in agriculture; and~~

~~[(2)] (II) is exempt from the overtime provisions of the federal Act[.]~~

~~[(d) The wage for overtime may be computed on the basis of each hour over 48 hours that an employee works during 1 workweek.]; AND~~

~~[(1)] (2) for an employee of a bowling establishment[; and~~

~~(2) for an employee of an institution that:~~

~~(i) is not a hospital; but~~

~~(ii) is engaged primarily in the care of individuals who:~~

~~1. are aged, intellectually disabled, or sick or have a mental disorder; and~~

~~2. reside at the institution].~~

3-420.

(b) Notwithstanding [§ 3-415(b)(8)] § 3-415(B)(2) of this subtitle, an employer that is not a not for profit organization and is a concert promoter, legitimate theater, music festival, music pavilion, or theatrical show shall pay overtime for a craft or trade employee as required in subsection (a) of this section.

3-427.

(a) If an employer pays an employee less than the wage required under this subtitle, 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 under this subtitle;

(2) AN ADDITIONAL AMOUNT EQUAL TO THE DIFFERENCE BETWEEN THE WAGE PAID TO THE EMPLOYEE AND THE WAGE REQUIRED UNDER THIS SUBTITLE AS LIQUIDATED DAMAGES; AND

(3) COUNSEL FEES AND OTHER COSTS.

(b) On the written request of an employee who is entitled to bring an action under this section, the Commissioner may:

(1) take an assignment of the claim in trust for the employee;

(2) ask the Attorney General to bring an action in accordance with this section on behalf of the employee; and

(3) consolidate 2 or more claims against an employer.

(c) The agreement of an employee to work for less than the wage to which the employee is entitled under this subtitle is not a defense to an action under this section.

(d) **(1)** If a court determines that an employee is entitled to recovery in an action under this section, the court [may allow against the employer] **SHALL AWARD TO THE EMPLOYEE:**

**(I) THE DIFFERENCE BETWEEN THE WAGE PAID TO THE EMPLOYEE AND THE WAGE REQUIRED UNDER THIS SUBTITLE;**

**(II) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, AN ADDITIONAL AMOUNT EQUAL TO THE DIFFERENCE BETWEEN THE WAGE PAID TO THE EMPLOYEE AND THE WAGE REQUIRED UNDER THIS SUBTITLE AS LIQUIDATED DAMAGES; AND**

**(III) reasonable counsel fees and other costs.**

**(2) 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 WAGE REQUIRED UNDER THIS SUBTITLE, THE COURT ~~MAY~~ SHALL:**

**(I) DETERMINE THAT LIQUIDATED DAMAGES SHOULD NOT BE AWARDED; OR**

**(II) AWARD, AS LIQUIDATED DAMAGES, ANY AMOUNT LESS THAN THE AMOUNT SPECIFIED IN PARAGRAPH (1)(II) OF THIS SUBSECTION.**

SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

**Article – Health – General**

7-307.

(a) (1) In this section the following words have the meanings indicated.

(2) “Community provider” means a community-based agency or program funded by the Administration to serve individuals with developmental disabilities.

(3) "Community direct service worker" means an employee of a community provider that provides treatment or services to developmentally disabled individuals.

(4) ["Disparity amount" means the monetary calculation of the average difference in wages and benefits between community direct service workers and developmental disabilities associates or other comparable employees in State residential centers.

(5) "Rate" means the reimbursement rate paid by the Department to a community provider from the State General Fund, Maryland Medical Assistance Program funds, other State or federal funds, or a combination of funds.

(b) Notwithstanding the provisions of this title **OR ANY OTHER PROVISION OF LAW**, the Department shall reimburse community providers as provided in this section.

(c) [(1) On or before September 1, 2001, the Department shall determine:

(i) The disparity amount; and

(ii) The amount of annual increase in the rate of reimbursement to community providers necessary to reduce and eliminate the disparity amount as required under subsection (d) of this section.

(2) The Department shall determine the disparity amount using data and information from:

(i) The Community Services Rate Reimbursement Commission;

and

(ii) Reports required to be provided to the General Assembly by the Department.

(d) The] **SUBJECT TO SUBSECTION (D) OF THIS SECTION, THE** Department shall increase the rate of reimbursement for community services providers [by an amount that:

(1) Reduces the disparity amount to 80% on or before July 1, 2002;

(2) Reduces the disparity amount to 62% on or before July 1, 2003;

(3) Reduces the disparity amount to 40% on or before July 1, 2004;

(4) Reduces the disparity amount to 20% on or before July 1, 2005; and

(5) *Eliminates the disparity amount on or before July 1, 2006*] EACH FISCAL YEAR BY THE AMOUNT OF RATE INCREASE INCLUDED IN THE STATE BUDGET FOR THAT FISCAL YEAR.

[(e)] (D) (1) [The Secretary shall adopt regulations to implement this section.] THE GOVERNOR'S PROPOSED BUDGET FOR FISCAL YEAR 2016 SHALL INCLUDE A 3.5% RATE INCREASE FOR COMMUNITY SERVICE PROVIDERS OVER THE FUNDING PROVIDED IN THE LEGISLATIVE APPROPRIATION FOR OBJECT 08 CONTRACTUAL SERVICES IN PROGRAM M00M01.02 COMMUNITY SERVICES FOR FISCAL YEAR 2015.

(2) THE GOVERNOR'S PROPOSED BUDGET FOR FISCAL YEAR 2017 SHALL INCLUDE A 3.5% RATE INCREASE FOR COMMUNITY SERVICE PROVIDERS OVER THE FUNDING PROVIDED IN THE LEGISLATIVE APPROPRIATION FOR OBJECT 08 CONTRACTUAL SERVICES IN PROGRAM M00M01.02 COMMUNITY SERVICES FOR FISCAL YEAR 2016.

(3) THE GOVERNOR'S PROPOSED BUDGET FOR FISCAL YEAR 2018 SHALL INCLUDE A 3.5% RATE INCREASE FOR COMMUNITY SERVICE PROVIDERS OVER THE FUNDING PROVIDED IN THE LEGISLATIVE APPROPRIATION FOR OBJECT 08 CONTRACTUAL SERVICES IN PROGRAM M00M01.02 COMMUNITY SERVICES FOR FISCAL YEAR 2017.

(4) THE GOVERNOR'S PROPOSED BUDGET FOR FISCAL YEAR 2019 SHALL INCLUDE A 3.5% RATE INCREASE FOR COMMUNITY SERVICE PROVIDERS OVER THE FUNDING PROVIDED IN THE LEGISLATIVE APPROPRIATION FOR OBJECT 08 CONTRACTUAL SERVICES IN PROGRAM M00M01.02 COMMUNITY SERVICES FOR FISCAL YEAR 2018.

[(f)] (E) [All increases in the rate of reimbursement provided for in this section shall be used to increase the compensation of community direct service workers.] THE GOVERNOR'S PROPOSED BUDGET FOR FISCAL YEAR 2016 AND THEREAFTER FOR COMMUNITY SERVICE PROVIDERS SHALL BE PRESENTED IN THE SAME MANNER, INCLUDING OBJECT AND PROGRAM INFORMATION, AS PROVIDED FOR IN THE FISCAL YEAR 2015 BUDGET.

[(g)] (F) [Nothing in this section shall be construed to prohibit the Department from eliminating the disparity amount prior to July 1, 2006.] A PORTION OF THE FUNDS IN SUBSECTION (E) OF THIS SECTION 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 THE DEVELOPMENTAL DISABILITIES ADMINISTRATION.

SECTION ~~2.~~ 3. AND BE IT FURTHER ENACTED, That this Act shall take effect ~~June 1, 2014~~ ~~January 1, 2015~~ July 1, 2014.

**Approved by the Governor, May 5, 2014.**