

**LEGISLATIVE DIGEST**

[Administrative Code - Minimum Compensation Ordinance]

**Ordinance amending the Administrative Code to increase the minimum hourly compensation rate for employees of nonprofit City contractors incrementally to \$23.00 per hour by January 1, 2026, with annual increases every July thereafter based on increases in the Consumer Price Index; to increase the minimum hourly compensation rate for employees of public entity City contractors incrementally to \$25.50 per hour by January 1, 2027, with annual increases every July thereafter based on increases in the regional Consumer Price Index for certain workers; and to modify the exemption to minimum compensation requirements for youth employees in summer and after-school programs.**

Existing Law

The Minimum Compensation Ordinance (“MCO”) generally requires City contractors to provide their covered employees with no less than the MCO hourly compensation rate. The MCO covers most City service contractors, including nonprofit organizations and public entities.

For employees of nonprofit organizations under a contract with the City, the MCO hourly gross compensation is currently \$17.90 per hour as of July 1, 2023.

For employees of public entities under a contract with the City, the MCO hourly gross compensation is currently \$19.25 per hour as of July 1, 2023.

Employees of after-school or summer programs funded by City contracts are not subject to the MCO if they are under 18 years old and are claimed as a dependent for federal income tax purposes.

Amendments to Current Law

For employees of nonprofit organizations under a contract with the City, the ordinance would increase the wage rate to \$18.93 beginning July 1, 2023, then increase it incrementally to \$23.00 per hour by January 1, 2026, and increase it every July thereafter based on increases in the Consumer Price Index.

For employees of public entities under a contract with the City, the ordinance would increase the wage rate to \$20.25 beginning September 1, 2023, then increase it incrementally to \$25.50 per hour by July 1, 2027, and increase it every July thereafter based on increases in the Consumer Price Index for urban wage earners and clerical workers for the San Francisco-Oakland-Hayward metropolitan statistical area.

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The ordinance would modify the exemption for employees participating in after-school or summer programs. Under the ordinance, those employees would be exempt if they are under 19 years old.

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