

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 07/03/2023
POSITION: Oppose

BILL NUMBER: SB 525
AUTHOR: Durazo, Maria Elena

BILL SUMMARY: Minimum wage: health care workers.

This bill increases the minimum wage for healthcare work done at covered healthcare facilities, as defined, to \$21 per hour in 2024, \$25 in 2025, and then subsequently increases the minimum wage by the Consumer Price Index in future years.

FISCAL SUMMARY

The Department of Industrial Relations estimates that this bill results in costs of \$919,000 from the Labor Enforcement and Compliance Food in the first year and \$864,000 ongoing for the Division of Labor Standards to enforce.

The Department of Finance notes that DLSE is not able to absorb any additional costs for enforcement because of an existing wage claim case backlog.

Finance anticipates that this bill will have wide-ranging impacts to departments and programs not identified here because of increased contracting and salary costs. Below is a list of estimated costs at this time:

The Department of Human Resources (CalHR) estimates that this bill results in increased costs of \$973.7 million (\$886.0 million General Fund) to bring classifications identified at the impacted state facilities up to \$25 per hour, including making applicable adjustments to address salary compaction. This cost does not include any potential cost pressures related to making comparable adjustments to the salaries of employees at non-impacted facilities who might otherwise perform similar work, or for contractors, subcontractors, state employees that fall outside the executive branch.

The Department of Healthcare Services (DHCS) estimates that this bill results in costs in the range of \$500 million to \$1 billion (\$250 million to \$500 million General Fund) annually with ongoing growth for long-term care (LTC) facility rate adjustments required under current law and policy. DHCS also notes that, while Medi-Cal providers other than LTC facilities are not entitled to rate adjustments for increased minimum wage costs, this bill create cost pressures in the billions of dollars to increase provider reimbursement rates to maintain access and financial stability in Medi-Cal.

The Department of Social Services (CDSS) estimates that this bill results no fiscal impact; however, CDSS notes that this bill may create wage inconsistencies in residential care facilities owned by hospitals. These facilities may pass on increased costs to residents.

The California Department of Public Health estimates that this bill results in significant General

Analyst/Principal Date Program Budget Manager Date
Toppin, Patrick / March, 08/10/2023 Calvert, Teresa 08/10/2023
Andrew

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

Durazo, Maria Elena

07/03/2023

SB 525

FISCAL SUMMARY (continued)

Fund cost pressures on its contracts to support local public health partners. CDPH will need to rework contracts to accommodate a lower output of deliverables and services.

The Department of State Hospitals estimates that this bill results in annual impacts of approximately \$4.1 million General Fund in 2024-25, rising to \$35.7 million by 2025-26.

The Department of Developmental Services estimates that this bill results in costs of \$849,000 in 2023-24, rising to \$21.8 million ongoing by 2025-26. This includes \$17.6 million ongoing for increased local assistance for the regional center system.

In addition, this bill will create significant economic impacts. Finance estimates that this bill results in significant impacts in the billions of dollars.

COMMENTS

Finance is opposed to this bill because it creates significant General Fund impacts and cost pressures. This bill will also create significant economic impacts in the healthcare industry, which may increase costs for consumers and the state. Additionally, Finance notes that this bill will likely result in an increase in the number of wage claim cases filed with DLSE and add to the existing wage claim backlog.

This bill increases the minimum wage for healthcare workers to \$21 per hour on June 1, 2024 and \$25 per hour on June 1, 2025. This bill then increases the minimum wage annually in future years, as determined by the Director of Finance according to the Consumer Price Index.

This bill defines health care workers as any person who does work related to health care and patient services at or for a covered healthcare facility. This bill defines a covered healthcare facility to include various facilities, clinics, and hospitals in addition to a home when health care services are provided, and public facilities that provide health care facilities.

This bill authorizes a covered worker through a civil action or DLSE to enforce the minimum wage requirements.

BILL ANALYSIS--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

Durazo, Maria Elena

07/03/2023

SB 525

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)						Fund Code
	LA	(Dollars in Thousands)						
	CO	PROP		2023-2024	2024-2025	2025-2026		
	RV	98	FC	FC	FC	FC		
4260/Hlth Care	LA	No	C	0-0 C	250,000-500,000 C	250,000-500,000 C	0001	
4260/Hlth Care	LA	No	C	0-0 C	250,000-500,000 C	250,000-500,000 C	0494	
4265/PublicHealth	SO	No		----- No/Minor Fiscal Impact -----			0001	
4300/Develop Svcs	SO	No	C	115 C	1,622 C		4,227 0001	
4300/Develop Svcs	LA	No	C	183 C	2,377 C		4,388 0995	
4300/Develop Svcs	LA	No	C	551 C	7,158 C		13,214 0001	
4320/State Hosptl	SO	No	C	0 C	4,100 C		35,700 0001	
5180/Social Svcs	SO	No		----- No/Minor Fiscal Impact -----			0001	
7350/DIR	SO	No	C	919 C	864 C		864 3152	
7501/CalHR	SO	No	C	0 C	87,700 C		87,700 0494	
7501/CalHR	SO	No	C	0 C	886,000 C		886,000 0001	
<u>Fund Code</u>	<u>Title</u>							
0001	General Fund							
0494	Other - Unallocated Special Funds							
0995	Reimbursements							
3152	Labor Enforcement and Compliance Fund							