April 4, 2023

The Honorable Dave Cortese
Chair, Senate Labor, Public Employment and Retirement Committee
1021 O Street, Room 6630
Sacramento, CA 95814

Re: SB 525 (Durazo): Minimum Wage Health Care Workers
As Amended 3/28/23 – OPPOSE

Dear Senator Cortese:

On behalf of the California State Association of Counties (CSAC), Urban Counties of California (UCC) and the Rural County Representatives of California (RCRC), we write in respectful opposition of SB 525 by Senator Durazo.

SB 525 proposes to raise the health care minimum wage broadly across the health sector to $25 per hour, including for employees working in county agencies – specifically, county health departments, county mental health departments, county correctional health settings, county hospitals, and county owned and operated clinics. Additionally, SB 525 requires salaried employees to be paid twice the proposed $25/hour minimum wage – creating a new salary base of $104,000 per year.

As you know, county health departments are the public health experts monitoring diseases in the community, conducting testing and contact tracing, investigating diseases, providing vaccination against disease, providing health education, inspecting restaurants, and addressing health disparities. County behavioral health departments provide mental health and substance use disorder services, primarily to California's low-income populations with serious mental illness and substance use disorders, through Medi-Cal and other programs. County health and mental health departments also prepare for and respond to natural disasters. Twelve counties own and operate hospitals, which primarily serve Medi-Cal beneficiaries and the remaining uninsured. Those twelve counties and additional counties own and operate health clinics.

County employees are generally represented by local bargaining units and counties negotiate in good faith to set wages and benefits for employees. We work with our labor partners in a variety of settings and recognize the important work of our employees. However, SB 525 would undermine the collective bargaining process by requiring counties to raise wages substantially, which will impact county operations beyond the health care field. Of course, counties provide services beyond health and behavioral health. They provide a vast array of municipal services to residents, including roads, parks, law enforcement, emergency response services and libraries. Counties also deliver services on behalf of the state for programs such as foster care, CalWORKs, and elections. Setting an hourly wage floor for employees in the health care field will undoubtedly impact the wages of our employees and contracted services in all aspects of county government, making the mandate required by SB 525 cost counties significantly more.

County health functions are funded by 1991 Realignment (a combination of state sales tax and vehicle license fees), as well as other state and federal funds; county mental health services are funded by a combination of 1991 and 2011 Realignment, Mental Health Services Act, as well as other state and federal funds. In years where the Realignment revenues grow slowly or decline – as they have done several years since 1991, including during the Great Recession – counties would not have funds to cover this health care minimum wage increase. In addition, counties primarily serve Medi-Cal beneficiaries and reimbursement rates have remained stagnant. The current rate structure cannot absorb the costs proposed in this bill.

Given that SB 525 includes an inflator of the greater of 3.5 percent or inflation, it is unlikely that existing revenue sources available to counties will grow sufficiently to cover the wage requirements in SB 525. Additionally, SB 525 would require implementation to begin next year – with no phase in over time – raising wages by $9.50/hour from the current minimum wage of $15.50/hour. We estimate the costs to implement SB 525 for counties alone will be in the range of hundreds of millions of dollars annually. With the uncertain state of the economy and anticipated state budget deficit, SB 525 will dramatically and significantly affect county budgets at precisely the time when they are least able to afford it.

Simply put, SB 525 is not sustainable for county government and undermines the local collective bargaining process. Counties will not be able to absorb the additional wage requirements in SB 525 without curtailing services to California's most vulnerable residents or laying off staff in non-health care sectors. The overall impact will be less services provided by county government to the public – and potentially fewer public sector employees to provide that work.

For these reasons, CSAC, UCC and RCRC respectfully oppose SB 525.

Sincerely,

Kalyn Dean

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cc: The Honorable Maria Elena Durazo, Member, California State Senate
Members and Consultants, Senate Labor, Public Employment and Retirement Committee