

**JOB KILLER
FLOOR ALERT**

July 11, 2023

TO: Members, Assembly Labor and Employment Committee

**SUBJECT: SB 525 (DURAZO) MINIMUM WAGE: HEALTH CARE WORKERS
OPPOSE/JOB KILLER – AS AMENDED JULY 3, 2023**

The California Chamber of Commerce respectfully **OPPOSES SB 525 (Durazo)**, which has been labeled as a **JOB KILLER**. By increasing minimum wage to \$21.00 per hour by June 1, 2024 and \$25.00 per hour by June 1, 2025, **SB 525** will raise costs at both private and public health care facilities by billions of dollars, jeopardizing access to affordable healthcare for Californians and threatening jobs. Further, its broad language covers employers of all sizes outside of the health care sector, including those who may employ any worker who sets foot on the premises of a health care facility or who performs any “health care service” for a facility. These services are broadly defined to include janitorial staff, food service, laundry, and more. The astronomical increase in labor costs that will result from **SB 525** is simply not sustainable.

SB 525 Will Cost Health Care Facilities Billions of Dollars, Reducing Access to Critical Health Care Services, Increasing Health Care Costs, and Reducing Jobs

Healthcare workers are essential workers. They provided vital services during the COVID-19 pandemic, and their service is no less vital today. Healthcare providers have recognized the value of their workers by providing increased benefits where financially possible. However, like many other industries, healthcare providers also suffered catastrophic decreases in revenue during the pandemic. At least one major hospital in the state has closed, and more are barely hanging on. Health care facilities estimate that **SB 525** will cost billions of dollars that they simply do not have. Labor costs are already approximately 60% of the cost of providing care and **SB 525** will cause tremendous strain on health care facilities’ limited financial resources. Not only would it require them to raise minimum wages and salaries, but inevitably it would require them to increase the wages of workers who are presently making more than minimum wage. Healthcare facilities will be required to do this every year in light of **SB 525**’s steep wage escalation clause.

The cost of **SB 525** will be tremendous. An economic analysis compiled by Capitol Matrix Consulting estimates SB 525 would increase health care costs by \$8 billion annually. The UC Berkeley Labor Center, arguing *in favor* of the bill, even notes that, at a minimum, **SB 525** will cost more than \$5.1 billion for all health care facilities and more than \$1.2 billion for hospitals specifically.

The inevitable ripple effect of **SB 525** would be a mix of increased cost of care and reduced jobs and services. California cannot afford to risk facility closures, staffing shortages, or rising costs, especially in areas where access to health care is already limited. **SB 525** is an ill-advised policy that undermines California’s goals of increasing health care access, affordability of care, and job creation.

The Scope of SB 525 Increases the Minimum Wage for Many Businesses, Not Just Health Care

SB 525’s language is extremely broad. Its increased minimum wage requirement applies to workers not only at a health care facility, but also for “all paid work performed on the premises of any health care facility, regardless of the identity of the employer” and “all paid work providing health care services performed for any person that owns, controls, or operates a covered health care facility, regardless of work location.” “Health care services” is broadly defined to include any ancillary service, such as janitorial services, food services, or someone who works in a gift shop.

This means that a myriad of other companies will be required to pay the increased minimum wage to any worker who sets foot on the premises of a health care facility or provides essentially any service for a health care facility. While recent amendments exempt out delivers, they do not exempt other services like a catering company working an on-site event, including services provided by small businesses. Not only would the minimum wage dramatically increase for that work, but any exempt employee's salary would also need to be raised accordingly to comply with existing laws on exemptions and section 1182.14(f). And these costs will rise every single year under **SB 525's** escalator clause. Either these companies will be forced to pay these significant extra labor costs out-of-pocket or will be forced to raise prices, increasing health facility operating costs and increasing the cost of health care.

For these and other reasons, we respectfully **OPPOSE SB 525** as a **JOB KILLER**.

Sincerely,



Courtney Jensen, Fernandez Jensen Kimmelshue Government Affairs
On behalf of California Chamber of Commerce

cc: Legislative Affairs, Office of the Governor
Jazmin Marroquin, Office of Senator Durazo
Consultant, Assembly Labor and Employment Committee
Lauren Prichard, Assembly Republican Caucus

CJ:am