

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: April 7, 2014

TO: Honorable Members of the Rules, Elections and
Intergovernmental Relations Committee

FROM: Gerry F. Miller *gfm*
Chief Legislative Analyst

Council File No.: 14-0002-S26
Assignment No.: 14-03-0187

SUBJECT: Resolution (Price-Bonin) to Support SB 935 relative to the California Minimum Wage.

CLA RECOMMENDATION: Adopt Resolution (Price-Bonin) to include in the City's 2013-2014 State Legislative Program SUPPORT of SB 935 (Leno) which would increase the California minimum wage to \$11 per hour by January 1, 2015, \$12 per hour by January 1, 2016 and \$13 per hour by January 1, 2017.

SUMMARY

Resolution (Price-Bonin) states that existing California law requires that by July 1, 2014, the minimum wage for all industries be raised to \$9 per hour; and \$10 per hour by January 1, 2016. The Resolution indicates that on February 3, 2014, Senator Frank Leno introduced Senate Bill 935 to help lift Californians out of poverty by further raising the state's minimum wage. The Resolution provides that SB 935 would increase the California minimum wage to \$11 per hour by January 1, 2015, \$12 per hour by January 1, 2016 and \$13 per hour by January 1, 2017 and annually thereafter based on the California Consumer Price Index. The Resolution indicates that according to the State Legislative Analyst's Office (LAO), the already-scheduled increase to \$10 per hour by January 1, 2016 would position California's minimum wage at a level higher than any current statewide minimum wage in the United States. The Resolution further indicates that according to the LAO, approximately 50 percent of California's workers are paid on an hourly basis with less than 50 percent of such workers earning less than \$12 per hour. The Resolution indicates that hourly workers earning less than \$12 per hour, tend to be concentrated in service-oriented industries such as educational and health services, leisure and hospitality, and wholesale and retail trade. The Resolution concludes that an increase in minimum wage would benefit low-wage workers and businesses throughout California due to a possible increase in consumer spending. The Resolution therefore recommends support of SB 935.

BACKGROUND

On March 18, 2014, Resolution (Price-Bonin) was introduced to support SB 935 which would increase the California minimum wage to \$11 per hour by January 1, 2015, \$12 per hour by January 1, 2016 and \$13 per hour by January 1, 2017.

Current Minimum Wage

California's statewide minimum wage is currently \$8 per hour. However, other cities have taken measures to increase the minimum wage beyond that required by the State. For example, San Francisco's minimum wage is \$10.74 and Richmond recently approved an increase to their local minimum wage to \$12.30 by 2017. In September 2013, Governor Brown approved a measure to increase the minimum wage to \$9 per hour on July 1, 2014 and to \$10 per hour on January 1, 2016.

Proposed Increase to California Minimum Wage

SB 935 proposes to raise the minimum wage as follows:

<u>Minimum Wage</u>	<u>Effective Date</u>
\$11 per hour	January 1, 2015
\$12 per hour	January 1, 2016
\$13 per hour	January 1, 2017

SB 935 would also require that commencing January 1, 2018, and every year thereafter, the minimum wage be increased annually based on the California Consumer Price Index.

Economic Round Table - Effects of a Fifteen Dollar Minimum Wage in the City of Los Angeles

Benefit to Low-Wage Workers

The Economic Roundtable reports that full-time employment with a wage of \$15 per hour would produce an income of at least \$26,250 for a worker who works 35 hours per week for 50 weeks out of the year. Los Angeles workers would receive approximately \$7.6 billion more per year in pay with such a minimum wage. The average full-time, low-wage worker, working 2,150 hours per year and paid \$9.55 an hour would receive \$11,729 more in annual pay. The Economic Round Table reports that the wage increase would benefit approximately 811,000 workers.

Additional Benefits of a \$15 Minimum Wage

- More money spent in the local economy and having a more stably-housed labor force which could reduce employee turnover and the associated costs from recruiting and training new employees.
- It costs approximately 30 percent of a worker's annual salary to replace that worker. Therefore, reducing the frequency of turnover could result in significant cost savings for employers.
- The added income that Los Angeles workers would receive from a \$15 minimum wage would generate approximately \$9.2 billion in annual sales in Los Angeles County which would lead to an estimated 64,000 new jobs in the county to meet the increased demand for goods and services.
- Increased sales and employment would generate an estimated \$1.3 billion in increased annual public revenue. A portion of such revenue would return to the City based on the City's share of the sales tax.

Congressional Budget Office

The Congressional Budget Office (CBO) reports that increasing the minimum wage would have two principal effects on low-wage workers. Most low-wage workers would receive higher pay that would increase their family's income, and some of those families would see their income rise above federal poverty threshold. However, CBO indicates that some jobs may be eliminated and the income of most workers whose jobs are eliminated would be reduced substantially.

Additional Information

- The state minimum wage rate requirements are controlled by legislative activities within the individual states.
- Federal minimum wage law supersedes state minimum wage laws where the federal minimum wage is greater than the state minimum wage. In those states where the state minimum wage is greater than the federal minimum wage, the state minimum wage prevails. Effective January 1, 2014, the federal minimum wage was \$7.25.
- There are 4 states that have a minimum wage set lower than the federal minimum wage. There are 21 states (plus DC) with minimum wage rates set higher than the federal minimum wage, including California. There are 20 states that have a minimum wage requirement that is the same as the federal minimum wage requirement. The remaining 5 states do not have an established minimum wage requirement.
- The State of Washington has the highest minimum wage at \$9.32/hour. The states of Georgia and Wyoming have the lowest minimum wage (\$5.15) of the 45 states that have a minimum wage requirement.
- There are 10 states (AZ, CO, FL, MO, MT, NV, OH, OR, VT, and WA) that have minimum wages that are linked to a consumer price index. As a result of this linkage, the minimum wages in these states are normally increased each year, generally around January 1st. The exception is Nevada which adjusts in the month of July each year. Effective January 1, 2014, 9 of the 10 states increased their respective minimum wages. The exception was Nevada.

The City has previously supported efforts to raise the minimum wage to further stimulate the economy and help raise low-wage workers out of poverty. It is therefore recommended that the City support SB 935.

DEPARTMENTS NOTIFIED

Economic and Workforce Development Department

BILL STATUS

SB 935

Introduced

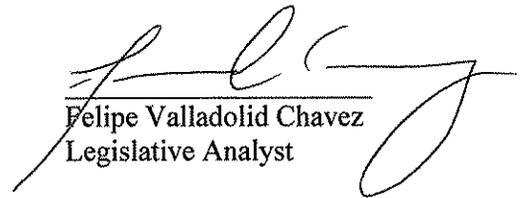
Passed Senate Labor and Industrial Relations Committee

Referred to Senate Appropriations Committee

February 3, 2014

March 26, 2014

March 26, 2014



Felipe Valladolid Chavez
Legislative Analyst

Attachments: 1) Resolution (Price-Bonin)

GFM:fvc

RESOLUTION
RULES, ELECTIONS & INTERGOVERNMENTAL RELATIONS

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies, proposed to or pending before a local, state or federal government body or agency, must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, existing California law requires that by July 1, 2014, the minimum wage for all industries be \$9 per hour; and

WHEREAS, existing California law also requires that by January 1, 2016, the minimum wage be raised to \$10 per hour; and

WHEREAS, on February 3, 2014, Senator Mark Leno introduced Senate Bill (SB) 935 to help lift Californians out of poverty by further raising the state's minimum wage; and

WHEREAS, SB 935 would increase the minimum wage to \$11 per hour by January 1, 2015, \$12 per hour by January 1, 2016 and \$13 per hour by January 1, 2017; and

WHEREAS, SB 935 would further increase the minimum wage annually thereafter based on the California Consumer Price Index and would prohibit the Industrial Welfare Commission from adjusting the minimum wage downward if the average percentage of inflation for the previous year was negative; and

WHEREAS, according to the State's Legislative Analyst's Office (LAO), the already-scheduled increase to \$10 per hour by January 1, 2016 would raise California's minimum wage to a level higher than any current statewide minimum wage in the United States; and

WHEREAS, the State of Washington has the highest minimum wage at \$9.32 per hour- a minimum wage level that increases yearly based on inflation; and

WHEREAS, the LAO estimates that approximately 50 percent of California's workers are paid on an hourly basis with less than 50 percent of such workers earning less than \$12 per hour; and

WHEREAS, according to the LAO, hourly workers earning less than \$12 per hour, tend to be concentrated in service-oriented industries such as educational and health services, leisure and hospitality, and wholesale and retail trade; and

WHEREAS, an increase in minimum wage would benefit low-wage workers and businesses throughout California due to a possible increase in consumer spending; and

WHEREAS, the City of Los Angeles should support legislation that reduces income inequality for its residents and stimulates economic growth;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by adoption of this Resolution, the City of Los Angeles, hereby includes in its 2013-2014 State Legislative Program, SUPPORT of Senate Bill 935 (Leno) which would increase the California minimum wage to \$11 per hour by January 1, 2015, \$12 per hour by January 1, 2016 and \$13 per hour by January 1, 2017.

MAR 18 2014

PRESENTED BY _____
CURREN D. PRICE, Jr.
Councilmember, 9th District

SECONDED BY _____