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Legislative testimony regarding SB 935

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Thank you for the opportunity to speak in support of SB935 today. Last year California Governor Brown signed AB10 into law which increases California's minimum wage to \$10 by January 1, 2016. So why a new MW bill?

Some policymakers and analysts regard the modest increase provided by AB10 and the absence of annual adjustments for price increases as insufficient for the wellbeing of our lowest-paid workers.

So, that brings us to today's hearing and SB935—

Senator Leno's bill would increase California's wage floor in several steps to reach \$13 in January 2017, and annual cost of living adjustments would begin in 2018.

Today I released a research brief that compares the \$10 MW law to the proposed \$13 wage floor. Let me provide some highlights of the brief.

First, the problem with falling wages is severe. Over 3.5 decades wages for the bottom half of the workforce have declined on average by almost 7%. Again, not just for low wage workers but the majority of the workforce has experience lower pay today compared their counterparts in 1979.

This is simply stunning given soaring productivity of our great workforce and a growing economic pie—the gains are going to those closer to the top. Thus through the lens of hourly wages—which is what matters for most workers and their families—growing inequality is very much a part of the CA economy as in the US more generally. AND don't forget, the great CA economy, on its own is the 9th richest in the world!

In short, AB10 will temporarily restore some of this lost ground in the states MW as it has been eroding since 2008--but does not advance beyond it, while SB935 will raise pay standards beyond recent levels.

- In today's dollars, the minimum wage under AB10 will actually peak at \$9.54 and will erode back to \$8.00 by about 2023.
- SB935 will peak at \$12.11 in today's dollars and annual adjustments will prevent erosion in the future.

Among workers who would get a raise under SB935

- 56% are at least 30 years old...< 7% are TEENS
- 61% are full-time workers
- About 1/3 of all the children in CA (32.1 percent) have a parent who would benefit from SB935.

Secondly, given the meaningful boost in hourly wages provided by SB935 there will also be other meaningful economy wide affects—both costs and benefits.

- For SB935 is 35.3% of the workforce would see at least a partial wage increase.
- An addition of about \$22.5 billion in aggregate wages

Importantly, California's overall budget would realize net gains of about \$2.2 billion under SB935: **HOW?**

Let me give a few examples of budget effects—both costs and benefits.

- One important figure is the increased in costs of an estimated \$2 billion as California would experience increased costs for In-Home Supportive Services & Department of Developmental Services from 2015 through 2017
 - Which I think is good policy.
- But By Putting money in the hands of low wage workers we estimated additional tax revenue from sales & income taxes of approximately 2.2 BILLION
- But there are also other benefits such as the approximate 1.5 Billion in state savings from Medi-Cal enrollees who would be shifted from coverage under the state Medi-Cal program (for which California pays 50 percent of

costs) to Medi-Cal under the Medicaid expansion of the Affordable Care Act (primarily federally financed).

There are many moving parts to our economy and a strong MW would have associated costs but benefits need equal consideration and they would far outweigh the costs.

Businesses will adjust primarily through increased worker productivity, through savings on employee turnover costs, and through price increases among affected industries particularly restaurants—not by laying off valuable (mostly service) workers.

First and foremost a strong MW is about 'fairness' hence the aptly named FLSA where MWs originated. And workers in this state need and deserve a RAISE.

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