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THIRD READING

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Bill No: SB 525  
Author: Durazo (D), et al.  
Amended: 5/25/23  
Vote: 21

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SENATE LABOR, PUB. EMP. & RET. COMMITTEE: 4-1, 4/12/23  
AYES: Cortese, Durazo, Laird, Smallwood-Cuevas  
NOES: Wilk

SENATE APPROPRIATIONS COMMITTEE: 4-2, 5/18/23  
AYES: Portantino, Bradford, Wahab, Wiener  
NOES: Jones, Seyarto  
NO VOTE RECORDED: Ashby

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**SUBJECT:** Minimum wage: health care workers

**SOURCE:** SEIU California

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**DIGEST:** This bill enacts a \$25 minimum wage for health care workers employed by covered healthcare facilities, as defined, to be increased annually by calculating an adjusted minimum wage using the U.S. Bureau of Labor Statistics nonseasonally adjusted U.S. Consumer Price Index, as specified.

*Senate Floor Amendments* of 5/25/23 (1) provide a two year phased in implementation on the healthcare worker minimum wage increase; (2) specify that the annual minimum wage increases shall be the lesser of 3.5% or the rate of change in the CPI; and (3) reduce from two times to 150 percent the minimum wage, the salary needed to meet the exemption requirements as a salary employee.

**ANALYSIS:**

Existing law:

- 1) Sets California's minimum wage at \$15.50 an hour for all employers and specifies that after January 1, 2023, the minimum wage rate will be adjusted

annually for inflation based on the national consumer price index for urban wage earners and clerical workers (CPI-W). (Labor Code §1182.12)

- 2) Defines a full workday as 8 hours, and 40 hours as a workweek and requires overtime to be paid at the rate of no less than one and one-half times an employee's regular rate of pay for work performed beyond 8 hours in a day or 40 hours in a week. Furthermore, work performed beyond 12 hours in a day is to be compensated at twice the regular rate of pay. (Labor Code §510)
- 3) Authorizes an exemption from the requirement to pay overtime, as specified, for executive, administrative and professional employees if the employee is primarily engaged in the duties that meet the test of exemption, customarily and regularly exercises discretion and independent judgment in performing those duties, and earns a monthly salary equivalent to *no less than two times the state minimum wage* for full-time employment. (Labor Code §515)
- 4) Empowers the Labor Commissioner's office, within the Department of Industrial Relations, with ensuring a just day's pay in every workplace in the State and promotes economic justice through robust enforcement of labor laws. (Labor Code §79-107)

This bill:

- 1) Makes several findings and declarations regarding workers in the health care industry including that higher wages are an important means of retaining an experienced workforce and attracting new workers and that the pandemic has worsened staff shortages and higher wages are needed to attract and retain health care workers to treat patients.
- 2) Increases the minimum wage for covered health care employment to not less than twenty-five dollars (\$25) per hour for all hours worked in covered health care employment. This applies to any portion of any worker's time spent working in covered health care employment. Specifies that the increase shall be implemented as follows:
  - a) On June 1, 2024 and until June 1, 2025, the minimum wage shall be not less than twenty-one dollars (\$21) per hour.
  - b) On and after June 1, 2025, the minimum wage shall be not less than twenty-five dollars (\$25) per hour.

- 3) Provides that following the implementation of the \$25 minimum wage increase, on or before August 1 of that year and annually thereafter, the Director of Finance shall calculate an adjusted minimum wage using the nonseasonally adjusted U.S. Consumer Price Index, as specified.
- 4) Provides that the health care worker minimum wage shall be enforceable by the Labor Commissioner or by a covered worker through a civil action, through the same means and relief available for violation of any other state minimum wage requirement.
- 5) Specifies that where compensation is on a salary basis, the employee shall earn a monthly salary equivalent to no less than 150 percent of the health care worker minimum wage in order to qualify as exempt from the payment of minimum wage and overtime, including where the employer is the state, a political subdivision of the state, the University of California, or a municipality.
- 6) Defines “covered health care employment” to mean any of the following:
  - a) All paid work performed on the premises of any covered health care facility, regardless of the identity of the employer.
  - b) All paid work providing health care services performed for any person that owns, controls, or operates a covered health care facility, location irrelevant.
- 7) Specifies that “covered health care employment” does not include:
  - a) Employment as an outside salesperson.
  - b) Any work performed in the public sector where the primary duties performed are not health care services.
  - c) Delivery work on the premises of a covered health care facility, provided that the delivery worker is not an employee of any person that owns, controls, or operates a covered health care facility.
- 8) Defines “covered health care facility” to mean any of the following:
  - a) A facility or work site that is part of an integrated health care delivery system, as defined.
  - b) A licensed general acute care hospital, as defined.
  - c) A licensed acute psychiatric hospital, as defined.

- d) A special hospital, as defined.
  - e) A licensed skilled nursing facility, as defined.
  - f) A public health jurisdiction, as defined.
  - g) A patient's home when health care services are delivered by an entity owned or operated by a general acute care or psychiatric hospital.
  - h) A licensed home health agency, as defined.
  - i) A clinic, as defined, including a primary care, specialty care, or dialysis.
  - j) A psychology clinic, as defined.
  - k) A licensed residential care facility for the elderly, as defined, if affiliated with an acute care provider or owned, operated or controlled by a general acute care hospital, acute psychiatric hospital, or the parent entity of such.
  - l) A psychiatric health facility, as defined.
  - m) A mental health rehabilitation center, as defined.
  - n) A community clinic, as defined, an intermittent clinic, as specified, a clinic operated by the state or any of its political subdivisions, including, but not limited to, the University of California or a city or county that is exempt from licensure, as specified, a tribal clinic, as specified, or an outpatient setting conducted, maintained, or operated by a federally recognized Indian tribe, tribal organization, or urban Indian organization, as defined.
  - o) A rural health clinic, as defined in paragraph (1) of subdivision (l) of Section 1396d of Title 42 of the United States Code.
  - p) An urgent care clinic, as defined.
  - q) An ambulatory surgical center certified to participate in the Medicare program, as specified.
  - r) A physician group, as defined.
  - s) A county correctional facility that provides health care services.
  - t) A county mental health facility.
- 9) Defines "employer" as a person who directly or indirectly, or through an agent or any other person, employs or exercises control over the wages, hours, or working conditions of any person including the state, political subdivisions of the state, the University of California, and municipalities.
- 10) Defines "health care services" as patient care-related services including nursing; caregiving; services provided by medical residents, interns, or fellows; technical and ancillary services; janitorial work; housekeeping; groundskeeping; guard duties; business office clerical work; food services; laundry; medical coding and billing; call center and warehouse work; scheduling; and gift shop work; but only where such services directly or indirectly support patient care.

- 11) Provides that the bill's provisions are severable and if any provision or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

## **Background**

California's current minimum wage is \$15.50 per hour [which was enacted pursuant to SB 3 (Leno, Chapter 4, Statutes of 2016)]. Some cities in California have established minimum wages that are higher than the current statewide minimum wage. Since the start of 2022, spearheaded by SEIU-United Health Workers, several California cities have passed or introduced ordinances for a \$25 an hour minimum wage for healthcare workers. Some of these ordinances, however, have been challenged and put on hold after petitions for referendum were submitted to instead put the matter before city voters. An initiative cleared for the November 2024 ballot, The Living Wage Act, would increase the state minimum wage to \$18 an hour over several years.

[NOTE: Please see the Senate Labor, Public Employment and Retirement Committee analysis on this bill for more background information.]

**FISCAL EFFECT:** Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee:

- The Department of Industrial Relations (DIR) would incur annual costs (materials, printing and postage) of about \$864,000 (General Fund) to issue new Minimum Wage Orders to impacted employers statewide.
- The State Controller's Office (SCO) has yet to determine the fiscal impacts that would result from the bill. Because of the bill's annual inflation adjustment, any identified state payroll costs would continue to rise relative to current law in the out-years, and would be driven by future inflation rates (General Fund).
- The California Department of Human Resources (CalHR) indicates that the bill would result in increased personnel costs across multiple departments and job classifications. CalHr's detailed costing has yet to be completed. However, based on preliminary information, the Department estimates that the bill would result in increased state employee payroll costs, minimally in the high hundreds of millions of dollars annually. Depending on how broadly the State defines the indirect support functions covered by the bill, annual personnel costs could

reach the billions of dollars. The majority of these costs would come from the General Fund.

- The Medi-Cal program purchases health care for 14 million Californians. The bill would result in unknown Medi-Cal costs, to increase payments to health care providers, including hospitals and nursing homes. The magnitude is unknown, but minimally would be in the hundreds of millions of dollars annually (General Fund and other funds).
- The bill would result in General Fund cost pressures to increase wages for state employees who at present earn slightly more than the current minimum wage to avoid salary compaction.

**SUPPORT:** (Verified 5/25/23)

SEIU California (source)

AFSCME Local 3299

Alameda County Democratic Party

Alameda Labor Council

American Medical Student Association

Antelope Valley African American Leadership Council

Ascend Learning

Asian Americans Advancing Justice-Southern California

Asian Democrats of Los Angeles County

Board of Behavioral Sciences

Buen Vecino

California Advocates for Nursing Home Reform

California Calls

California Commission on the Status of Women and Girls

California Environmental Voters

California Immigrant Policy Center

California Labor Federation, AFL-CIO

California League of United Latin American Citizens

California Pan - Ethnic Health Network

California Physicians Alliance

California Professional Firefighters

California Teamsters Public Affairs Council

Care Workers Council

Central Coast Labor Council

Central Labor Council of Contra Costa County

Central Labor Council, Fresno-Madera-Tulare-Kings Counties, AFL-CIO

City of Irvine, Mayor Khan  
City of La Mesa  
City of La Mesa Councilmember Jack Shu  
City of La Mesa Councilmember Patricia N. Dillard  
City of Lynwood  
City of Modesto Councilmember Chris Ricci  
City of Stockton Councilmember Kimberly Warmesley  
Clergy and Laity United for Economic Justice  
Community and Labor Center at UC Merced  
Contra Costa Central Labor Council  
Councilmember Monterey Park Henry Lo  
Councilmember Lynwood Juan Munoz-Guevara  
County of Monterey  
Courage California  
Democratic Woman's Club of San Diego County  
Dolores Huerta Foundation  
East Bay Alliance for A Sustainable Economy  
End Poverty in California  
Engineers and Scientists of California, IFPTE Local 20, AFL-CIO  
Ensuring Opportunity Campaign to End Poverty in Contra Costa County  
Fresno Barrios Unidos  
Fresno County Democratic Central Committee  
Fund Her  
Indivisible San Jose  
Justin Cummings, Supervisor Third District, County of Santa Cruz  
Los Angeles Alliance for A New Economy  
Latino and Latina Roundtable of The San Gabriel and Pomona Valley  
Latino Medical Student Association  
Lawyers' Committee for Civil Rights of the San Francisco Bay Area  
Let's Green Ca!  
Los Angeles County Young Democrats  
LULAC California  
Madera County Democratic Central Committee  
Marin County Democratic Party  
Mi Familia Vota  
MILPA (Motivating Individual Leadership for Public Advancement)  
Monterey Bay Central Labor Council, AFL-CIO  
Monterey County Office of Supervisor Luis A. Alejo  
Monument Impact

Napa County Democratic Party  
Napa-Solano Labor Council, AFL-CIO  
National Action Network Sacramento Chapter  
National Association of Social Workers, California Chapter  
North Bay Labor Council  
North Valley Labor Federation  
Office of Mario Trujillo, Mayor Pro Tem Downey  
Orange County Labor Federation, AFL-CIO  
Organize Sacramento  
Physicians for National Health Program – California  
Restaurant Opportunity Center United  
Sacramento City Councilmember Mai Vang  
San Fernando Valley Young Democrats  
San Francisco Democratic Party  
San Joaquin Community Foundation  
San Joaquin Pride Center  
San Mateo County Central Labor Council  
San Mateo County Democratic Party  
Santa Ana City Council  
Santa Clara County Democratic Party  
SEIU - United Healthcare Workers  
Silicon Valley Democratic Club  
Silicon Valley Rising Action  
SIREN: Services Immigrant Rights and Education Network  
Solano County Democratic Central Committee  
Sonoma County Democratic Party  
South Bay Labor Council  
Stanislaus County Democratic Central Committee  
State Building and Construction Trades Council of California  
Steinberg Institute  
Sunrise Silicon Valley  
Supervisor Terra Lawson-Remer, County of San Diego Board of Supervisors  
TechEquity Collaborative  
UAW Local 2865  
UAW Local 5810  
Ventura County Clergy and Laity United for Economic Justice  
Ventura County Democratic Central Committee  
Western Center on Law & Poverty, Inc.  
Working Partnerships USA  
Individual Support Letters: 4



**OPPOSITION:** (Verified 5/25/23)

Alliance of Catholic Health Care  
AltaMed Health Services  
Altura Centers for Health  
America's Physician Groups  
APLA Health & Wellness  
Association of California Healthcare Districts  
Association of Independent California Colleges and Universities  
Aveanna Healthcare  
Axis Community Health  
Barlow Respiratory Hospital  
Barstow Community Hospital  
Barton Health  
Brea Chamber of Commerce  
California Chapter of The American College of Cardiology  
California Chamber of Commerce  
California Assisted Living Association  
California Association of Health Facilities  
California Association for Health Services At Home  
California Business Properties Association  
California Chapter American College of Cardiology  
California Children's Hospital Association  
California Dialysis Council  
California Health+ Advocates, Subsidiary of the California Primary Care Assoc.  
California Hospital Association  
California Medical Association  
California Medical Business Services, LLC  
California Nurses Association/National Nurses United  
California Orthopedic Association  
California Podiatric Medical Association  
California Radiological Society  
California Retailers Association  
California Rheumatology Alliance  
California Senior Advocates League  
California Society of Plastic Surgeons  
California State Association of Counties  
California State Sheriffs' Association  
California Taxpayers Association  
Canyon Ridge Hospital  
Carlsbad Chamber of Commerce

Casa Colina Hospital and Centers for Healthcare  
Catalina Island Medical Center  
Central City Community Health Center  
Children's Hospital of Orange County  
Chino Valley Medical Center  
Clinica Sierra Vista  
Coalition of California Chambers – Orange County  
Communicare Health Centers  
Community Health System, Inc.  
Community Clinic Association of Los Angeles County  
Community Health Association of Inland Southern Region  
Community Medical Centers, Inc.  
Corona Chamber of Commerce  
County of Ventura  
District Hospital Leadership Forum  
Enloe Medical Center  
Eisenhower Health  
Eisner Health  
El Proyecto del Barrio, Inc.  
Family Health Centers of San Diego  
Fontana Chamber of Commerce  
Foothill Regional Medical Center  
Fresno American Indian Health Project  
Gardner Family Health Network, Inc.  
Gilroy Chamber of Commerce  
Golden Valley Health Center  
Greater Coachella Valley Chamber of Commerce  
Greater High Desert Chamber of Commerce  
Greater San Fernando Valley Chamber of Commerce  
Grossmont Healthcare District  
Health Alliance of Northern California  
Health Center Partners of Southern California  
Hill Country Community Clinic  
Huntington Beach Chamber of Commerce  
Huntington Health  
Independent Physical Therapists of California  
John Muir Health  
Kaweah Delta Health Care District

Kern County Board of Supervisors  
Kern Medical  
LA Cañada Flintridge Chamber of Commerce and Community Association  
La Clinica de la Raza, Inc.  
LA Downtown Medical Center  
Latinx Physicians of California  
LeadingAge California  
Lifelong Medical Care  
Los Angeles County Business Federation  
Mad River Community Hospital  
Mammoth Hospital  
Marshall Medical Center  
Mayers Memorial Healthcare District  
Mee Memorial Healthcare System  
Mountain Communities Healthcare District  
Murrieta Wildomar Chamber of Commerce  
National Federation of Independent Business  
Montclair Hospital Medical Center  
Neighborhood Healthcare  
North Coast Clinics Network  
North East Medical Services  
NorthBay Health  
Northeast Valley Health Corporation  
Oceanside Chamber of Commerce  
Ole Health  
Orange County Business Council  
Orchard Hospital  
Pacific Association of Building Service Contractors  
Palo Verde Hospital  
Palos Verdes Peninsula Chamber of Commerce  
Paso Robles Chamber of Commerce  
Pediatric Day Health Care Coalition  
PIH Health  
Plumas District Hospital  
Pomona Valley Hospital Medical Center  
Private Essential Access Community Hospitals  
Ridgecrest Regional Hospital  
Roseville Area Chamber of Commerce  
Rural County Representatives of California  
Salinas Valley Health

San Bernardino Mountains Community Hospital District  
San Diego Regional Chamber of Commerce  
San Francisco Community Clinic Consortium  
San Geronio Memorial Hospital  
San Juan Capistrano Chamber of Commerce  
San Ysidro Health  
Santa Barbara South Coast Chamber of Commerce  
Santa Clarita Valley Chamber of Commerce  
Santee Chamber of Commerce  
Scripps Health  
Seneca Healthcare District  
Shasta Community Health Center  
Shasta Regional Medical Center  
Sierra View Medical Center  
Simi Valley Chamber of Commerce  
Sonoma Valley Hospital  
South County Chambers of Commerce  
Southern California Hospital at Culver City  
Southern California University of Health Sciences  
Southwest California Legislative Council  
Southwest Healthcare – Inland Valley and Rancho Springs Hospitals  
St. Jude Neighborhood Health Center  
T.H.E. (To Help Everyone) Health and Wellness Center  
Tahoe Forest Health System  
Temecula Valley Hospital  
Templeton Chamber of Commerce  
Torrance Area Chamber of Commerce  
TCC Family Health  
Tri County Chamber Alliance  
Tulare Chamber of Commerce  
United Hospital Association  
University of California Health  
Urban Counties of California  
Valley Children's Healthcare  
Tulare County Board of Supervisors Fifth District  
Tulare County Board of Supervisors First District  
Valley Community Healthcare  
Valley Industry and Commerce Association

Via Care Community Health Center  
Vista Chamber of Commerce  
Westside Council of Chambers of Commerce  
Westside Family Health Center

**ARGUMENTS IN SUPPORT:** SEIU California is sponsoring the measure arguing, among other things that “Care work has historically been undervalued by society. A recent report on the California nursing home workforce characteristics found that 1 out of every 2 Skilled Nursing Facility workers earns less than \$20 per hour. These workers are also primarily women (81%) and workers of color (77%), with almost half of them identified as Hispanic.”

The California Labor Federation is also in support and argues that, “The toll of the pandemic has driven health care workers out of the field in greater numbers than those entering it.” They further write, “The exodus of experienced health care workers has turned a workforce shortage into a full-blown health care staffing and patient care crisis. Workforce shortages and instability result in longer wait times, decreased quality of care, and worsens existing health disparities as low-income communities of color bear the burden of staffing shortages.”

Regarding the opposition by the California Nurses Association, the California Labor Federation states, “We support raising the minimum wage and also hope that the concerns raised by the California Nurses Association can be addressed as the bill moves forward to address the needs of all health care workers.”

**ARGUMENTS IN OPPOSITION:** Opponents argue that, “In the aftermath of the COVID-19 pandemic, health care providers in California are in dire financial straits. One major hospital has already closed, others are on the brink, and more than half are losing money every day to care for patients.” They also argue that, “SB 525’s added costs will force health providers to cut hours, positions and services. With fewer positions and potentially fewer providers, health care professionals will have fewer opportunities, be at heightened risk of job loss, and have less flexibility in the positions that are available.”

The California Nurses Association is opposed unless amended to exempt RNs from the scope of the bill. They argue that, “the inclusion of RNs in this bill will ultimately lower the wage floor for RNs, encouraging employers to propose takeaways on wages during bargaining. California RNs are currently among the highest paid in the nation well above the proposed \$25 minimum hourly wage for health care workers in SB 525. According to the U.S. Bureau of Labor Statistics, the median hourly wage for California RNs is \$60.26, while RNs in the lower 10th

percentile make \$37.53. In other words, one would be extremely hard pressed to identify anyone working as an RN in California who makes below \$25/hour.”

Additional opposition comes from community health centers (CHCs) who argue, “because Community Health Centers primarily serve patients enrolled in publicly funded health coverage programs, CHCs are paid for the care they provide through a complex structure governed by state and federal law. Federally Qualified Health Centers (FQHCs) are paid a predetermined rate through PPS that encompasses reimbursement for a set of eligible services provided during a single visit.” In practice, CHCs argue, “PPS places CHCs on a ‘fixed income’ that is not easily modified to meet industry pressures or state-mandated wage increases. They also argue that the bill’s annual inflation increases, “would create cost pressures not supported by federal or state law.”

Prepared by: Alma Perez-Schwab / L., P.E. & R. / (916) 651-1556  
5/30/23 9:34:19

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