



COUNTY OF MENDOCINO

Board of Supervisors

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May 8, 2023

The Honorable Anthony J. Portantino
Chair, Senate Committee on Appropriations
1021 O Street, Suite 7630
Sacramento, CA 95814

Re: SB 525 (Durazo): Minimum Wage Health Care Workers as Amended 4/17/23 – OPPOSE

Dear Senator Portantino:

On behalf of the County of Mendocino, I am writing in respectful opposition to SB 525, which 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, and county owned and operated clinics. The measure also broadly applies the wage requirements to contractors within these facilities. Additionally, SB 525 requires salaried employees to be paid twice the proposed \$25/hour minimum wage – creating a new salary base of \$104,000 annually.

1991 & 2011 Realignment Considerations

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 when 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 healthcare minimum wage increase. In addition, counties primarily serve Medi-Cal beneficiaries, and reimbursement rates have remained stagnant. Therefore, the current rate structure cannot absorb the costs proposed in this bill.

Counties have a unique role in providing health care services to low-income Californians. Welfare and Institutions Code section 17000 obligates counties to serve as the “last resort” provider for indigent Californians who have no other means of support. Because of this requirement, counties focus on serving Medi-Cal beneficiaries and uninsured Californians. Counties are not in the healthcare business to make a profit. Instead, they are focused on helping individuals with the fewest means – and the payer mix of patients they care for reflects that. Counties are essential state partners in the Medi-Cal program. To the extent that SB 525 will increase costs without accompanying resources, counties may be faced with the unfortunate decision of scaling back their services to accommodate this mandated wage growth, thus impacting Medi-Cal recipients, low-income and uninsured Californians.

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SB 525 Fiscal Impact

As currently drafted, this bill would impact hundreds of Mendocino County staff members and job classifications. In addition, the County would face numerous adjustments that may be required due to resulting compaction and internal equity concerns as department classifications would have disparate pay grades for similar work.

Due to countywide classifications requiring different salaries based on assigned department/function, the County may need to create healthcare-specific classifications and reclassify current staff to avoid pay disparity issues for categorically similar work which happens to take place outside of a healthcare setting (e.g., an Office Assistant maintaining patient files in Public Health would require a min wage of \$25/hr., while an Office Assistant keeping files in the Assessor's Office would require a minimum wage of \$15.50/hr.). However, this process would carry a heavy administrative burden and add significant costs.

With these potential significant increases to wages and health benefits, which are already increasing at an unsustainable rate, the total cost of implementation of SB 525 would be a heavy burden on already stressed county budgets.

SB 525 Would Create Continued Cost Pressures on County Budgets

Given that SB 525 includes an inflator of greater than 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 the implementation to begin next year – with no phase-in over time – raising wages to \$25/hour (an additional \$9.50/hour on top of the current minimum wage of \$15.50/hour). RCRC and CSAC estimate the costs to implement SB 525 for counties to be over \$152 million annually. With the uncertain state of the economy and anticipated sizeable state budget deficit, SB 525 will dramatically and significantly affect county budgets at precisely the time when counties are least able to afford it.

Simply put, SB 525 is not sustainable for county government. Counties like Mendocino will not be able to absorb the additional wage requirements in SB 525 without affecting services to California's most vulnerable residents. 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, the County of Mendocino respectfully opposes SB 525.

Sincerely,

Glenn McGourty, Chair
Mendocino County Board of Supervisors

Cc: The Honorable Maria Elena Durazo, Member, California State Senate District 26
Members and Staff, Senate Committee on Appropriations
Cory Botts, Senate Republican Labor Policy Consultant