EL DORADO HILLS CHAMBER OF COMMERCE

September 11, 2013

TO: Members, Senate Appropriations Committee

FROM: El Dorado Hills Chamber of Commerce

SUBJECT: AB 10 (ALEJO) MINIMUM WAGE: ANNUAL ADJUSTMENT

We respectfully **OPPOSE AB 10 (Alejo)**, as amended on June 19, 2013, which has been labeled a **JOB KILLER**. **AB 10** is unprecedented in that it locks in an automatic 25% increase in the minimum wage over the next five years, regardless of any other economic factors or costs employers may face, which far exceeds any reasonably expected rate of inflation.

Automatically indexing the minimum wage to inflation has always been troubling to the business community because it fails to take into consideration other economic factors or cumulative costs to which employers may be subjected. While we appreciate the removal in **AB 10** of the automatic adjustment in the minimum wage according to the Consumer Price Index (CPI), the proposed incremental increases over the next five year period is essentially the same as tying the minimum wage to inflation, and in fact even worse.

Although California's economy is showing signs of improvement, such improvement is still at the infant stage. California still has one of the highest unemployment rates in the country at 8.6%, with some counties still facing unemployment rates over 22%. An increase in the minimum wage that starts in 2014 and continues through 2018, will negatively impact any economic recovery by either limiting available jobs or, worse, creating further job loss. As recently reported in a study conducted by the National Federation of Independent Business Research Foundation, the expected job loss by 2023 as a result of the prior version of **AB 10** would have ranged from 48,000 to 68,000 jobs, dependent upon the annual rate of inflation. Given the lock stepped increase in the amended version of **AB 10** over five years that exceeds any plausible rate of inflation, the job loss that will result will likely be much higher.

AB 10 also forces this proposed five year increase without concern of other costs California employers may be facing. As set forth in the Governor's budget, California employers will face an increase next year in the annual assessment they are required to pay in order to fund programs within the Department of Industrial Relations. Again, while the exact cost is currently unknown, there is no question that it will be higher than the current assessment. In 2014, California employers will also lose a part of their federal tax credit due to California's failure to repay money borrowed from the federal government for unemployment insurance benefits. This will increase the total federal tax California employers are required to pay for any employee who earns more than $7,000 per year. Additionally, the tax increases approved under Proposition 30 for personal income tax, as well as the sales and use tax, will also be in full effect in 2014. These cumulative costs are just in 2014. In 2015, California employers will also undoubtedly face an increase in costs as a result of the implementation of the Affordable Care Act. While employers are not sure of the exact costs associated with the implementation, they do know there will be a cost. Any further additional costs in 2015 through 2018 are unknown, which is why the minimum wage should not be increased for such an extended period as **AB 10** proposes.

An increase in minimum wage would not only increase hourly employees' wages, but salaried employees' compensation as well. In order for employees to qualify as "exempt" under any of the six exemptions in California, they must meet the salary-basis test, which is two times the monthly minimum wage. If **AB 10** is implemented as proposed, that amount in January 2016 will rise from the current annual salary of $33,280 to at least $41,600, which is an increased cost to employers of $8,320 per exempt employee.

There is no reason as to why California, with a full-time Legislature, needs to set forth a five-year incremental increase for minimum wage. Rather, we believe a historical two year incremental increase is more appropriate and allows the Legislature to determine thereafter whether businesses can sustain a further increase given the economy and other cost related factors.

Respectfully,

Debbie Manning

Debbie Manning

President & CEO

CC: Senator Ted Gaines

Assembly Member Beth Gaines