



ELK GROVE'S FOCUS ON BUSINESS

Elk Grove Chamber of Commerce Newsletter May 2006

www.ElkGroveCA.com

Chamber Activates Members on Minimum Wage Hike Approved by Senate, Assembly Committees

With the committee passage of the Chamber-opposed legislation giving California the highest minimum wage rate in the nation by the Senate and Assembly policy committees in mid-April, the Chamber activated its members to urge defeat of the measures.

Both **SB 1162 (Cedillo; D-Los Angeles)** and **AB 1835 (Lieber; D-Mountain View)** increase the cost of doing business by raising the state minimum wage and indexing the wage rate upward every year thereafter. Both bills were passed by the policy committees on party-line votes.

SB 1162 is an urgency measure that increases the minimum wage to \$7.25 60 days after the bill is signed into law and to \$7.75 on July 1, 2007, and then indexes the increase annually thereafter. AB 1835 raises the minimum wage to \$7.25 in 2007 and to \$7.75 in 2008, and then indexes the increase annually thereafter.

The bills will increase both public and private employer wage costs by at least \$2.08 billion annually, raising costs to consumers and driving employers who cannot absorb the increases to other states.

SB 1162 passed the Senate Labor and Industrial Relations Committee on March 29 by a vote of 3-1.

AB 1835 passed the Assembly Labor and Employment Committee on March 29 by a vote of 6-2.

Better Alternative

In opposing SB 1162 and AB 1835, the Chamber is pointing out that to improve

California's economy; lawmakers should focus on removing barriers to productivity and wage growth that government has imposed on the private sector. Specifically, California should:

- Allow individual employees to request and obtain flexible schedules
- Reduce costs associated with providing employee benefits
- Uncouple the link between minimum wage rates and exempt worker status
- Increase opportunities for small business formation
- Increase the skills of both the current and future workforce
- Reduce the regulatory red tape burden

Repercussions

The Chamber asked legislators to consider the following impacts of SB 1162 and AB 1835:

- The mandated 50-cent per hour rise in the minimum wage would increase base payroll costs for a small business with 20 workers by at least \$20,800 per year.
- By putting the minimum wage increases on autopilot, the bills will ensure that payroll costs will continue to substantially rise each and every year. Tying increases in the state minimum wages to inflation and ignoring other factors such as the strength of the state's economy will inevitably result in increases in the minimum wage at times when the economy is ill-suited to absorb higher employer costs.

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EGCPAC Begins Work on Business Policy

With some candidates already declared, and the campaigns already started, the election season in Elk Grove has begun. The Elk Grove Chamber Political Action Committee (EGCPAC) has also started work.

EGCPAC endorsements and contributions will be based on candidates' positions on the business-related policy platform. To ensure that all of the issues important to Elk Grove business are on the table, EGCPAC is providing an opportunity for Elk Grove to identify business issues of concern at an Issues Forum on May 17. The Forum will be held from 6 to 8 p.m. Admission of \$50 will help fund EGCPAC activities on behalf of business. For details, log on to www.elkgroveca.com/EGCPAC.

Don't miss out on this opportunity to support a strong business community. ❖

Coming in May!

The **NEW** Elk Grove Chamber. Watch the Web site and your mailbox.

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Chamber Activates Members

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- Along with the direct wage cost increase, other employment-related costs will also rise if the bills become law. Employer payments for employee benefits, premiums, pensions and taxes all rise following wage increases, because all of these costs are directly linked to the size of payroll. If SB 1162 or AB 1835 is enacted, workers' compensation costs for employers of minimum wage workers will rise by at least \$120 million annually, according to estimates by the Workers' Compensation Insurance Rating Bureau.
- The bills also affect managerial and other exempt worker salaries due to the enactment of AB 60 (Chapter 134, Statutes of 1999). That statute recast California overtime law and permanently linked to the state minimum wage the threshold for classifying salaried executive, administrative and professional employees as exempt. To be exempt from state overtime requirements, executive, administrative

and professional employees must earn at least two times the state minimum wage for full-time employment, as well as meet a detailed duties test.

In practical terms, any salaried employee who makes less than \$28,080 per year today must be classified as a non-exempt salaried employee. The provisions of SB 1162 and AB 1835 will increase the exempt worker annual base salary requirement by \$4,160 – to no less than \$32,240 per year – a substantial wage cost increase with impacts for both public and private employers.

Two **Chamber supported bills, SB 1254 and AB 2217** were also scheduled to be heard by the policy committees in April.

AB 2217 (Villines; R-Clovis) failed to pass out of committee, again on a party-line vote, with Representative Nakanishi and Representative Houston voting in favor of the bill.

The Senate version of the four-day workweek proposal, **SB 1254** (Ackerman; R-Tustin) is set to be heard on April 26 in the Senate Labor and Industrial Relations Committee. The Chamber is urging employers and employees to contact their senators and members of the Senate committee to voice support for **SB 1254**.

Action Needed: Chamber members should continue to contact state senators and assembly members to voice opposition to **SB 1162** and **AB 1835**, and support for **SB 1254**.

For more information and updates, contact Janet Toppenberg or log on to the California Chamber Web site: www.calchamber.com.



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