

CLIENT NEWS BRIEF

Governor Brown Signs Landmark Minimum Wage Legislation

On April 4, 2016, Governor Jerry Brown signed into law Senate Bill (SB) 3, which amends California Labor Code section 1182.12 to increase California's minimum wage to \$15 per hour by the year 2022. The legislation was approved by the State Assembly and Senate on party line votes. The bill ultimately gained the Governor's support after a compromise was reached to gradually phase in increases to the minimum wage over a five year period. The new law explicitly includes public employers, such as school districts, county offices of education, cities, and other municipal bodies.

Under SB 3, the minimum wage will first increase by \$.50, to \$10.50 per hour, on January 1, 2017. A second \$.50 increase will occur on January 1, 2018, and subsequent increases of one dollar will occur on January 1 each year thereafter until the \$15 target is reached in 2022. For employers with 25 or fewer employees, the first wage increase will occur on January 1, 2018, and the \$15 target will be reached in 2023. However, until the \$15 minimum wage is reached, the Governor may suspend the scheduled annual wage increases if certain findings showing poor economic conditions are made. Should that occur, the timetable for reaching the \$15 minimum wage will be delayed by a year each time that the Governor suspends a planned wage increase. After the \$15 minimum wage is reached, it will be annually increased for inflation by an amount not to exceed 3.5%.

Given the scheduled annual increases, possibility of suspending the annual increases, and future adjustments for inflation, employers will need to adopt new levels of vigilance to ensure that they comply with the law. In addition, a variety of new considerations will arise for employers. For public employers operating under collective bargaining agreements, collaboration with bargaining units will be necessary to timely phase in the required wage increases for affected employees. Employers may also need to examine the impact that the planned wage increases will have on personnel budgeting for future years. Addressing these questions, and others that may arise, will require advance planning by an employer's executives and budget officers, and collaboration with key stakeholders prior to the first planned wage increase on January 1, 2017.

If you have any questions about California's new minimum wage law and how it impacts public employers, please contact one of our [nine offices](#) located statewide. You can also visit our [website](#), follow us on [Facebook](#) or [Twitter](#), or download our [Client News Brief App](#).

April 2016
Number 21



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