



July 31, 2023

Honorable Gavin Newsom
Governor

Honorable Toni G. Atkins
Senate President pro Tempore

Honorable Brian W. Jones
Senate Republican Leader

Honorable Nancy Skinner, Chair
Senate Budget and Fiscal Review
Committee

Honorable Anthony J. Portantino, Chair
Senate Appropriations Committee

Honorable Robert Rivas
Speaker of the Assembly

Honorable James Gallagher
Assembly Republican Leader

Honorable Phil Ting, Chair
Assembly Budget Committee

Honorable Chris R. Holden, Chair
Assembly Appropriations Committee

Minimum Wage Increase, Director of Finance Determination and Certification

Labor Code section 1182.12 requires the Director of Finance to annually determine and certify to the Governor and the Legislature whether an adjustment for inflation is applied to the state's minimum wage after the minimum wage reaches fifteen dollars (\$15) per hour. Pursuant to this section, the minimum wage of \$15 per hour was implemented on January 1, 2022 for employers who employ 26 or more employees and on January 1, 2023 for employers who employ 25 or fewer employees.

Labor Code section 1182.12(c)(3)(B) requires that when the rate of increase in inflation exceeds 7 percent in the first year in which the minimum wage for employers with 26 or more employees is \$15 per hour, the minimum wage for employers with 25 or fewer employees must be set to the same amount as for employers with 26 or more employees, effective the following January 1. Pursuant to this section, the minimum wage of \$15.50 per hour was implemented on January 1, 2023, for all employers.

Furthermore, following the implementation of the minimum wage to \$15 per hour, Labor Code section 1182.12(c) requires that on or before August 1 of each year, the Director of Finance shall determine if the minimum wage must be adjusted for inflation and if so, calculate the increase in minimum wage by the lesser of 3.5 percent, or the rate of change, as specified, for the United States Bureau of Labor Statistics non-seasonally adjusted United States Consumer Price Index for Urban Wage Earners and Clerical Workers (U.S. CPI-W).

The Department of Finance calculates the U.S. CPI-W, for the 12-month period from July 1, 2022 to June 30, 2023, increased by 6.16 percent compared to the 12-month period from July 1, 2021 to June 30, 2022. As a result, pursuant to subdivision (c), Finance has determined that minimum wage shall increase by 3.5 percent to \$16.00 per hour and shall be implemented for all employers on January 1, 2024.

Based on the calculations described above, I hereby certify that the minimum wage increase shall include an inflation adjustment of 3.5 percent for all employers effective January 1, 2024.

Please call Susan Wekanda, Principal Program Budget Analyst, at (916) 445-5332, if you have any questions.



JOE STEPHENSHAW
Director

cc: Honorable Roger W. Niello, Vice Chair, Senate Budget and Fiscal Review Committee
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