

An Assessment of the Fiscal Impact of the Proposed Sonoma County Living Wage Ordinance

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September 2014

SUMMARY

In 2014, the County of Sonoma, California will consider adopting a living wage ordinance. The basic features of the proposed living wage ordinance include:

- A. A mandate for covered businesses to adopt a \$15.00 minimum wage. This new minimum represents a 67 percent increase above the State's \$9.00 minimum.
- B. Covered businesses include: (1) County service contractors with contracts of at least \$20,000 (\$50,000 for non-profits), (2) lease, concession and franchise agreement holders with gross receipts greater than \$350,000, (3) recipients of business subsidies from the County exceeding \$100,000, and the County, including (4) regular County employees, and (5) In-Home Supportive Service workers.

This report assesses the fiscal impact of this proposal by examining its impact on these five major groups. The main findings include:

- The potential fiscal impact for Sonoma County due to the coverage of County service contractors; lease, concession and franchise agreement holders; business-subsidy recipients, and regular County employees will be minimal.

The living wage ordinance will impose a relatively modest cost increase for most covered businesses. County service contractors will experience, on average, a cost increase equal to 1.2 percent of their revenue. Among these covered businesses, service contractors take up the largest share of the County's budget. Some businesses' costs, such as food concessionaires, may increase by as much as 4 to 5 percent of their revenue. These

businesses could potentially pass through their increased costs to the County by renegotiating their concession fees. Still, the fiscal impact will be minimal because their fees represent a small fraction of the County's budget.

Overall, costs transmitted to the County from covered businesses will equal less than 0.03 percent of the County's total budget of \$1.4 billion or 0.1 percent of the County's General Fund of \$390 million for FY2014-15. Raises for permanent County employees add a negligible amount to the County's payroll. This increase in County spending, including the costs for all four of these groups, amounts to less than \$3 annually per Sonoma County household.

- The cost of raising the pay of In-Home Supportive Service (IHSS) workers to \$15.00 constitutes the largest potential cost increase for the County. Still, the fiscal impact of these raises is relatively small and may be partially offset by cost-savings related to improved IHSS services.

These IHSS workers assist the County's low-income frail elderly and disabled adults with their essential daily activities. The Federal, State and County governments' current cost-sharing arrangement for these workers' pay requires the Federal and County governments to cover any raises above their current \$11.65 rate. My baseline estimate of the cost increase to the County is \$10.6 million, equal to 0.8 percent of the total budget (2.7 percent of the General Fund) or \$64 annually per Sonoma County household.

Higher pay for IHSS workers could improve IHSS services and enable more low-income frail elderly and disabled adults to remain living at home. This would reduce government spending on nursing care facilities and give the State a financial incentive to re-negotiate its IHSS cost-sharing arrangement, even after accounting for an increase in the demand for the improved IHSS services. Such a re-negotiation could reduce the fiscal impact of IHSS raises on the County to as low as \$5.7 million, equal to 0.4 percent of the total budget (1.5 percent of the General Fund), or \$35 annually per Sonoma County household.

This assessment of the proposed Sonoma County living wage ordinance indicates that the total impact of a \$15.00 living wage, including the cost increases for all five groups, would have a small impact on Sonoma County's fiscal budget, in the range of 0.4 percent to 0.9 percent of the total budget (or 1.6 percent to 3.1 percent of the General Fund). An increase in government spending of this size is equal to \$37 to \$73 per Sonoma County household.