



PROPOSITION 32

Raises Minimum Wage. Initiative Statute.

ANALYSIS OF MEASURE

BACKGROUND

State and Local Laws Set Minimum Wages. Employers must pay their workers at least the minimum wage. California’s minimum wage currently is \$16 per hour. Some local governments have higher minimum wages. Minimum wage laws do not apply to independent contractors and other self-employed people.

Inflation Adjustments Under Current Law. Prices tend to go up over time. These rising prices are called “inflation.” The state adjusts its minimum wage every year based on inflation. Each adjustment matches U.S. inflation, except in two cases:

- If inflation is negative, the adjustment is zero.
- If inflation exceeds 3.5 percent, the adjustment is 3.5 percent.

State Sets Higher Minimum Wages for Some Employers. State laws set higher minimum wages for employers in some industries. For example, most fast food restaurants must pay their workers at least \$20 per hour.

PROPOSAL

Higher Minimum Wage in 2025. In 2025, California would have different minimum wages for employers of different sizes. Employers with 26 or more employees would have a minimum wage of \$18 per hour. Employers with 25 or fewer employees would have a minimum wage of \$17 per hour. Without Proposition 32, the minimum wage for all employees would be about \$16.50 per hour. The proposition would not change any local or industry-specific minimum wages.

Minimum Wage \$18 Per Hour in 2026. In 2026, the minimum wage would be \$18 per hour for all employees. Without Proposition 32, it likely would be about \$17 per hour.

Inflation Adjustments Paused Until 2027. The minimum wage would be adjusted for inflation every year starting in 2027. These adjustments would follow the current rules described earlier.

FISCAL EFFECTS

Fiscal Effects Depend on Economic Effects. Proposition 32 could have a wide range of economic effects:

- **Higher Wages.** Workers who would have made less than \$18 per hour would instead make \$18 or more per hour by 2026. Higher minimum wages also tend to push up wages for other workers. This means that many workers making a bit more than \$18 per hour also likely would get a raise.
- **Likely Higher Prices.** Higher wages would increase costs for many businesses. Some businesses likely would charge customers higher prices. The overall price increase from Proposition 32 likely would be smaller than one-half of 1 percent.
- **Likely Lower Profits.** The costs of higher wages likely would reduce some businesses' profits.
- **Effect on Jobs.** The number of jobs in the state could go up or down. This change likely would be smaller than one-quarter of 1 percent.

Government Costs Could Go Up or Down. Proposition 32 would increase state and local government costs in some ways but would decrease them in other ways:

- **Higher Government Costs to Pay for Workers.** The state and many local governments would have higher costs to pay their employees. They also would have higher costs to pay for work done by workers who are not their employees.
- **Savings From Lower Enrollment in Health and Human Services Programs.** Proposition 32 would change the number of people enrolled in health and human services programs (such as California's Medicaid program, Medi-Cal) because it would change people's incomes. These enrollment changes likely would reduce state and local government costs.

Combining these two pieces, total state and local government costs could go up or down. This change likely would not exceed the high hundreds of millions of dollars each year (annually). (Total state and local government spending in California exceeds \$500 billion annually.)

The change in costs to the state's General Fund likely would be less than one-half of 1 percent of the state's total General Fund budget. (The General Fund is the account the state uses to pay for most public services, including education, health care, and prisons.)

Lower Revenues. Proposition 32 would affect income tax and sales tax revenues because it would change incomes and prices. Overall, the proposition likely would reduce state and local government revenues. Revenues would be lower mainly due to lower incomes for business owners. The net revenue loss likely would not exceed a few hundred million dollars annually. Last year, total state and local revenue from these taxes was about \$200 billion.

YES/NO STATEMENT

A **YES** vote on this measure means: The state minimum wage would be \$18 per hour in 2026. After that, it would go up each year based on how fast prices are going up.

A **NO** vote on this measure means: The state minimum wage likely would be about \$17 per hour in 2026. After that, it would go up each year based on how fast prices are going up.

SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT

- State and local government costs could increase or decrease. This change likely would not exceed the high hundreds of millions of dollars annually.
- State and local tax revenues likely would decrease. This revenue loss likely would not exceed a few hundred million dollars annually.

BALLOT LABEL

Fiscal Impact: State and local government costs could increase or decrease by up to hundreds of millions of dollars annually. State and local revenues likely would decrease by no more than a few hundred million dollars annually.