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**SENATE COMMITTEE ON HOUSING**  
**Senator Nancy Skinner, Chair**  
**2023 - 2024 Regular**

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<b>Bill No:</b>	SB 1049	<b>Hearing Date:</b>	4/16/2024
<b>Author:</b>	Padilla		
<b>Version:</b>	2/7/2024 Introduced		
<b>Urgency:</b>	No	<b>Fiscal:</b>	Yes
<b>Consultant:</b>	Max Ladow		

**SUBJECT:** Department of Industrial Relations: living wage: report and employer certification program.

**DIGEST:** This bill would require the Department of Industrial Relations (DIR) to create a formula to ascertain how much a household with at least one full-time minimum wage worker must earn to reasonably afford a decent standard of living, including appropriate housing, and to report those figures annually to the Legislature and develop a certification program for employers that pay a living wage.

**ANALYSIS:**

*Existing law:*

- 1) Requires the US Department of Housing and Urban Development (HUD) to annually estimate Fair Market Rent (FMR) for defined metropolitan areas to determine payment standard amounts for the Housing Choice Voucher (also commonly known as the Section 8) program.
- 2) Establishes the Department of Industrial Relations (DIR) within the Labor & Workforce Development Agency to improve working conditions for California's wage earners and to advance opportunities for profitable employment in California.
- 3) Establishes the California Workforce Development Board (CWDB) as the body responsible for assisting the Governor in the development, oversight, and continuous improvement of California's workforce investment system and the alignment of the education and workforce investment systems to the needs of the 21st century economy and workforce.

- 4) Establishes within the DIR, the Industrial Welfare Commission, and requires the minimum wage for employees fixed by the Commission or by any applicable state or local law to be paid to employees.

**This bill:**

- 1) Requires the DIR, in conjunction with the Secretary of Labor and Workforce Development and the Director of the California Department of Housing and Community Development (HCD), to:
  - a) Create a formula to determine how much a household with at least one full-time minimum wage worker must earn to reasonably afford a decent standard of living, as defined, while doing the following:
    - i) Consider relevant housing cost data and the cost of other basic expenses, including nonhousing necessities.
    - ii) Develop a framework for determining an adequate number of bedrooms for different household configurations, in consultation with relevant state departments, agencies, and research institutions, as defined.
    - iii) Ensure relevant housing costs shall not exceed 30% of wages.
    - iv) Assess whether a household with at least one full-time wage earner has sufficient income to cover appropriate housing and basic expenses.
  - b) Recommend to the Legislature:
    - i) The minimum wage for a household with at least one full-time minimum wage earner to afford a decent standard of living, as defined, by December 15 of each year.
    - ii) A method to annually adjust figures to account for housing cost inflation and inflation broadly.
- 2) Defines “nonhousing necessities” as childcare for an average household with minor dependents, food, transportation, health care, allowance for basic miscellaneous expenses such as clothing, mobile telephone service and broadband access, and taxes.
- 3) Defines “Living Wage” as the lowest wage that allows full-time and part-time wage earners to afford a decent standard of living, which includes appropriate housing and basic expenses, including nonhousing necessities.

**COMMENTS:**

- 1) *Author's statement.* “The current wage standard dooms workers to around the clock labor just to make ends meet. California workers and their families should be able to afford housing in the communities that they work. There are businesses already trying to better their communities with real living wages to employees. We need to identify these businesses and uplift their efforts as well.”
- 2) *California's housing shortage.* The need for and costs of housing have consistently outpaced the development of affordable housing for over 30 years. The lack of supply is the primary factor underlying California's housing crunch. The Legislative Analyst's Office published a 2016 report detailing how facilitating more private housing development would help make California's housing more affordable for low-income residents.<sup>1</sup> HCD estimates that California needs to build 180,000 new homes a year to keep up with population growth. HCD noted in its statewide housing plan that California must plan for more than 2.5 million homes over the next eight-year cycle, and no less than one million of those homes must meet the needs of lower-income households.
- 3) *Living wages and housing affordability.* Risk of homelessness substantially increases when households are cost burdened and spend more than 30% of their incomes on housing. Would raising the minimum wage decrease the housing cost burden for low-income renters? Or would the benefits transfer to landlords through raising rents? Several studies have analyzed the relationship between minimum-wage increases and effective affordable-housing policy.<sup>2</sup> They concluded that minimum-wage increases may provide some immediate relief – reducing housing cost burden and lowering default rates on rents. However, these benefits may attenuate over time as the market responds and landlords raised rents.
- 4) *Data already available.* A housing wage is an estimate of the hourly wage a full-time worker must earn to afford a modest rental home at HUD's FMR without spending more than 30% of their income on housing costs. The California Housing Partnership and the National Low-Income Housing Coalition are just two of several organizations that regularly track and report

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<sup>1</sup> Legislative Analyst's Office. Perspectives on Helping Low-Income Californians Afford Housing. 2016. <https://lao.ca.gov/Publications/Report/3345>

<sup>2</sup> Brey. What Research Says About the \$15 Minimum Wage and the Affordable Housing Crisis. 2021. <https://nextcity.org/urbanist-news/research-15-minimum-wage-affordable-housing-crisis>

housing wages across California counties.<sup>3,4</sup> By requiring the development of a formula to ascertain how much a household must earn to afford a decent standard of living, including appropriate housing, this bill may be duplicative of existing data.

5) *Double-referral*. This bill passed out of the Senate Labor, Public Employment, and Retirement Committee on April 10, 2023 with a vote of 4-1.

**RELATED LEGISLATION:**

**SB 352 (Padilla, 2023)** — would have required a living wage calculation but required the California Workforce Development Board and did not include a certificate program. *This bill was held on suspense in the Senate Appropriations Committee.*

**SB 3 (Leno, Chapter 4, Statutes of 2016)** — phased in California’s \$15 minimum wage between 2017 and 2023. It also made changes to paid sick leave for in-home supportive services providers.

**FISCAL EFFECT:** Appropriation: No    Fiscal Com.: Yes    Local: No

**POSITIONS:** (Communicated to the committee before noon on Wednesday, April 10, 2024.)

**SUPPORT:**

United Ways of California (Sponsor)  
Coachella Valley Rescue Mission  
Lift to Rise  
Monarch School  
San Diego for Every Child  
United Way of Stanislaus County  
United Way of Ventura County

**OPPOSITION:**

None received.

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<sup>3</sup> Alvarez-Nissen. Who can afford to rent in California’s many regions? 2022. California Housing Partnership. [https://chpc.wpenginepowered.com/wp-content/uploads/2022/12/2022\\_12-Brief-Who-Can-Afford-2- final.pdf](https://chpc.wpenginepowered.com/wp-content/uploads/2022/12/2022_12-Brief-Who-Can-Afford-2- final.pdf)

<sup>4</sup> NLIHC. Out of Reach. 2022. <https://nlihc.org/oor>