
SENATE COMMITTEE ON HOUSING
Senator Scott Wiener, Chair
2023 - 2024 Regular

Bill No: SB 352 **Hearing Date:** 4/24/2023
Author: Padilla
Version: 3/29/2023
Urgency: No **Fiscal:** Yes
Consultant: Aiyana Cortez

SUBJECT: California Workforce Development Board: minimum wage and housing

DIGEST: This bill would require the California Workforce Development Board (CWDB) 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.

ANALYSIS:

Existing law:

- 1) Requires the US Department of Housing and Urban Development (HUD) to annually estimate Fair Market Rent for defined metropolitan areas to determine payment standard amounts for the Housing Choice Voucher program.
- 2) Establishes 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.
- 3) Establishes within the Department of Industrial Relations, 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 CWDB, in conjunction with the Secretary of Labor and Workforce Development and the Director of 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.

COMMENTS:

- 1) *Author’s statement.* “A growing percentage of California’s overall workforce are economically stranded. Unlike previous decades, entry-level minimum wage and low-wage earners remain locked in low wage jobs that keep them in substandard housing and without the means to build any savings. These workers are not progressing. They work more and more – up to 80-90 hours per week and yet they cannot afford basic housing.

California workers and their families should be able to afford housing in the communities that they work. The cost of housing and goods and insufficient wages have incapacitated communities and created a class of individuals that cannot break the cycle of poverty. By creating a unique formula to calculate wage needs that meet basic housing costs in every county, SB 352 would provide a vital tool to ensure that the cost of housing and goods is reflected in our minimum wage. Utilizing this formula as a tool to address long-standing

inequities, we can ensure California continues to advance the all-important work of breaking the cycle of poverty.”

- 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.¹ 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 studies² have analyzed the relationship between minimum-wage increases and effective affordable-housing policy. 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. *The author may wish to include consideration of whether existing regional minimum wage variations across California are affecting housing cost burden in this study bill.*
- 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 Partnership³ and the National Low-Income Housing Coalition⁴ are just two of several organizations that regularly track and report housing wages across California counties. 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. *The author may wish to consider whether the effectiveness of rent caps, success of homelessness hiring tax credit programs, or detailed data*

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

² 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>

³ 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

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

collection on workforce engagement for people accessing homelessness services may provide further insights into the relationship between the labor force and housing affordability.

5) *Double referral.* This bill was passed out of the Senate Labor, Public Employment, and Retirement Committee on April 12, 2023 with a vote of 4-1.

RELATED LEGISLATION:

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 19, 2023.)

SUPPORT:

- United Ways of California (UWCA) (Sponsor)
- Alianza Coachella Valley
- California Catholic Conference
- California Environmental Voters
- California Labor Federation, AFL-CIO
- California State Council of Service Employees International Union (SEIU California)
- California Teachers Association
- Central San Diego Black Chamber of Commerce
- City of Chula Vista
- City of San Diego
- Grace Institute - End Child Poverty in CA
- Imperial Valley Equity and Justice Coalition
- Lift to Rise
- Orange County United Way
- United Food and Commercial Workers, Western States Council
- United Way Bay Area
- United Way Fresno Madera Counties
- United Way of Greater Los Angeles
- United Way of Stanislaus County
- United Way of Ventura County
- YMCA of San Diego County

OPPOSITION:

None received.

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