

GEO PAY REPORT

GEO PAY TASK FORCE

Intro: California’s diverse geography and demography are the state’s signature attraction, but those same features present formidable challenges for the state’s working families.

Geographic compensation is an important element to maintaining a strong workforce of highly motivated and engaged employees. For the future well-being of Californians, we have to address how to attract quality employees.

For many state workers doing the necessary business of California, the challenges can be particularly burdensome because they work for relatively low salaries in some of the country’s priciest regions, or in remote, isolated stretches with few feasible options for healthcare and childcare.

Affordable housing is out of reach for many in places like the San Francisco Bay Area. Commuting is a daily nightmare throughout urban California. Access to healthcare and quality childcare is a challenge in the state’s rural stretches. Remedies involve some investment by the state in its workforce and shifts in policy that could bring some relief for the thousands who faithfully carry out the state’s mission.

Geographic pay doesn’t just make sense in the state’s most expensive areas. It also can be a powerful recruitment and retention tool in hard to recruit rural areas of California. A unique set of geographic challenges hides among the forests and rivers, in those mountain and coastal communities. Just like DMV and Caltrans, the state needs workers for its fish hatcheries, wild life preserves, agricultural inspection stations and prisons.

For these reasons, the State of California (the State) and Service Employees International Union Local 1000 (SEIU Local 1000) recognize that recruitment and retention issues exist in certain geographic areas and agreed to meet to discuss these challenges in an effort to identify possible solutions. The California Department of Human Resources (CalHR) agreed to establish a Geographic Compensation Task Force (GCTF).

The goal of the GCTF is to:

- Identify critical compensation criteria to evaluate different geographic regions.
- Identify and review other city, county, state and federal programs utilized to address geographic compensation issues.
- These shall include but not be limited to: (1) comparable wages, (2) housing costs, (3) transportation costs, (4) commute costs, (5) childcare costs, and (6) healthcare costs;

The state must address these issues to improve the stability and future of the workforce. Through collaboration, the state and union can work toward solutions that will ensure a vibrant workforce that will continue to serve California.

Every one of the state’s workers in these regions bring value to their communities, sometimes millions of dollars in economic activity that keeps open service stations, grocery stores and other small businesses.

But they need help.

Figure 1

Federal differential in CA				
Area	Level	Salary	\$\$ Difference	% Difference
Sacramento-Roseville	GS-1, Step 1	\$23,455		
San Francisco-Oakland-San Jose	GS-1, Step 1	\$26,164	\$2,709	12%
Los Angeles-Long Beach	GS-1, Step 1	\$24,528	\$1,073	5%
San Diego-Carlsbad	GS-1, Step 1	\$24,022	\$567	2%
Sacramento-Roseville	GS-5, Step 5	\$40,960		
San Francisco-Oakland-San Jose	GS-5, Step 5	\$45,691	\$4,731	12%
Los Angeles-Long Beach	GS-5, Step 5	\$42,833	\$1,873	5%
San Diego-Carlsbad	GS-5, Step 5	\$41,951	\$991	2%
Sacramento-Roseville	GS-6, Step 6	\$46,996		
San Francisco-Oakland-San Jose	GS-6, Step 6	\$52,424	\$5,428	12%
Los Angeles-Long Beach	GS-6, Step 6	\$49,145	\$2,149	5%
San Diego-Carlsbad	GS-6, Step 6	\$48,133	\$1,137	2%
Rest of U.S.	GS-1, Step 1	\$21,672		

<https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2018/general-schedule-gs-salary-calculator/>

(1) Comparable wages

Jurisdictions with widely diverging geographic regions have attempted to equalize pay for employees. The federal government pays its California employees more than it pays those in other states (See Figure 1).

The states of New York, Florida and Alaska offer geographic pay differentials to their employees. Alaska did a 2008 study to “identify differences in the cost of living that could affect pay equity among state employees living in different areas of the state.”ⁱ Subsequently the state’s legislature approved a geographical pay structure that set Anchorage as the base and granted percentages above base as high as 60 percent.ⁱⁱ

Florida law allows state agencies to offer “critical market pay” when pay for a position is below market rate, resulting in documented hiring and retention difficulties.ⁱⁱⁱ

New York details a method for interested parties—including labor—to submit evidence to the state if a certain classification warrants a geographic pay differential because recruiting and retention is affected. Additionally, certain higher cost regions, including the New York City region, qualify for location pay, paid for high-cost areas. A health services nurse working in Manhattan has a base pay of \$48,027, but gets an additional \$12,871 in geographic pay differential *and* \$3,026 in location pay.^{iv}

Proposed remedies:

- The state should adopt a geographic pay structure similar to other large states or the federal government and use other states’ methods of initial study and ongoing input from stakeholders to determine what classifications and what regions require pay differentials.
- The state should require agencies to perform exit interviews or collect data from employees who leave—and not retire—in high-cost regions to determine if they are leaving or transferring because of issues related to cost of living.

Figure 2

U.S. Housing and Urban Development FY 2018 Income Limits Summary		
HUD Metro FMR area	Family of 4, Low Income	Very low income
San Francisco, CA	\$117,400	\$73,300
Sacramento, Roseville, Arden-Arcade, CA	\$64,100	\$40,050
Los Angeles-Long Beach-Glendale, CA	\$77,500	\$48,450
Santa Ana-Anaheim-Irvine, CA	\$87,450	\$54,650
San Luis Obispo-Paso Robles-Arroyo Grande, CA	\$66,550	\$41,600

Source: https://www.huduser.gov/portal/datasets/il/il2018/select_Geography.odn

(2) Housing costs

The high cost of living in parts of California is indisputable, particularly housing costs. In a three-county area including San Francisco, \$117,400 for a family of four is low income, according to 2018 Housing and Urban Development guidelines. The same rate is \$64,100 for Sacramento County (see Figure 2). For a single person, the low-income threshold in San Francisco County is \$82,200 versus \$44,900 for Sacramento County.^v

A homebuyer in the San Francisco Bay Area would need a *minimum* annual qualifying income of \$186,300, according to the California Association of Realtors’ first-quarter 2018 Traditional Housing Affordability Index. For the county of San Francisco alone, the annual *minimum* qualifying income is \$333,270. In Los Angeles County, the minimum qualifying annual income for homebuyers is \$112,930. (See appendix A for chart of all California counties.)

The average salary of a Local 1000 worker in San Francisco is \$5,731 a month, or \$68,772 a year, and in Los Angeles County is \$4,959 a month and \$59,508 a year. (See Appendix B for all Local 1000 county income averages and numbers.)

Renting is hardly an affordable alternative. San Francisco’s median rent for a *one-bedroom* apartment is \$3,570 a month, the country’s top median, according to Zumper’s rent report for September 2018 (See Figure 3). The apartment rental service listed six California cities in its Top 10 list for median rentals.

Yet, the state assigns about 10,500 Local 1000 positions in the Bay Area and 16,500 in the greater Los Angeles area, positions that provide important services. Residents in San Francisco and Los Angeles need to go to the Department of Motor Vehicles or the California Health Benefit Exchange. And state workers are there to help them.

But, clearly, state workers need help themselves in those regions.

Proposed remedies:

- Several coastal cities and counties, including Santa Barbara, Ventura County, and other public employers participate in a non-profit collaboration called the **Coastal Housing Partnership**, which offers some relief with mortgage refinancing, home buying and renting costs. Certain property owners have contracted to reduce apartment rentals to member employees by as much as \$75 a month. The state could become a member of the partnership. The cost of membership for the state would be based on the number of state employees in Santa Barbara and Ventura counties, according to Corby Gage, executive director of the partnership. There would not be any other restrictions for the state to participate, Gage said. ^{vi}
- The state already rents housing to workers for some state jobs in remote locations. The state should explore expanding rental housing in tight housing markets to rent at cost, at least for the lowest paid workers.
- The state could also consider assisting workers who elect to move from high-cost markets to other state jobs in more affordable locations by subsidizing relocation costs for those renters and homeowners. In addition, those who seek to transfer from designated high-cost markets should get priority consideration for transfers or extra points for promotions.
- The state could provide a guaranteed loan program for state workers to purchase a home with mortgage payments directly paid from state salaries
- The state and union should work together to pursue legislation and policies that would ease the burden on the state’s own workforce and all the state’s working families.

Figure 3

Top 10 1 Bedroom Median Rent Prices		
#	City	Rent
1	San Francisco, CA	\$3,570
2	New York, NY	\$2,870
3	San Jose, CA	\$2,550
4	Los Angeles, CA	\$2,320
5	Boston, MA	\$2,310
6	Washington, DC	\$2,160
7	Oakland, CA	\$2,130
8	Seattle, WA	\$1,950
9	Santa Ana, CA	\$1,830
10	San Diego, CA	\$1,810

<https://www.zumper.com/blog/2018/08/zumper-rent-report-september-2018/>

(3 and 4) Transportation and commuting

The astronomical housing costs force workers to commute beyond the exurbs for hours a day or settle for substandard housing, adding another burden. Because California is home to some of the nation’s most notorious traffic congestion, commuting costs are extraordinarily burdensome for state workers who suffer the well-known consequences: vehicle wear and tear, tolls, unhealthy stress and added health costs.

The California Legislative Analyst linked long commutes to the high cost of housing in its March 2015 report, concluding Californians are particularly affected. It concluded higher wages is the remedy for private industry. The same report noted Stanford University is leasing an apartment complex for staff and faculty to lure good candidates.^{vii}

“High Housing Costs May Make it Difficult to Recruit Employees. In areas with higher costs of living, businesses generally must pay employees higher wages because they require additional income to offset the cost of living differences. As a result, businesses in California’s coastal metros may find it challenging (and expensive) to recruit or retain qualified employees.” --“California’s High Housing Costs: Causes and Consequences,” Mac Taylor, Legislative Analyst, March 2015

The American Highway Users Alliance, which represents highway interests, identified the top 50 bottlenecks nationwide in a 2015 report. California has 14 of them. The second top bottleneck in the country is a four-mile stretch in southern Los Angeles County. That one bottleneck causes 7.1 million hours of delay a year, \$191 million in lost-time value and 1.8 million gallons of wasted fuel a year (see Figure 4).^{viii} The state has about 10,000 Local 1000 workers in Los Angeles and Orange counties, many of whom undoubtedly drive that stretch daily.

Besides fuel costs and vehicle wear and tear burdening commuters, one study shows an additional cost: the cost of congestion.

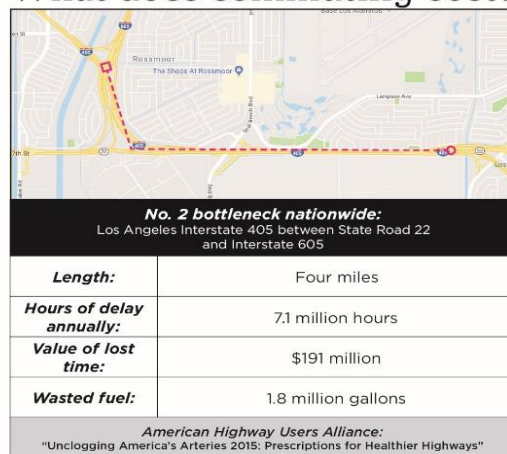
A study, done by Texas A&M Transportation Institute, defines the cost of congestion as wasted fuel and time. For the Los Angeles-Long Beach-Anaheim area, in 2014, the annual cost of congestion was \$1,711 *per* peak-auto commuter or a total of \$13.3 million. The peak-auto commuter cost of congestion in Sacramento was \$958 that year, as a comparison.^{ix}

Despite the public health benefits of alternatives, including improved air quality, driving continues to dominate as the way Californians commute. Even though public transit use by Californians nearly doubled to about 900,000 between 1980 and 2014, single-car driving rose from 7 million to nearly 13 million drivers during the same period, according to the U.S. Census Bureau, Decennial Census and American Community Survey.

Not surprisingly, The California Center for Jobs and the Economy concluded in a March 2016 report that the percentage of Californian commuters spending more than a half-hour commuting rose from 31 percent in 1980 to 41 percent in 2014.^x

Figure 4

What does commuting cost?



State workers need more financial support to shift commuting habits. The monthly \$65 state reimbursement cap has not changed in years, though transit fares have. To retain the same level of subsidy for Bay Area Rapid Transit from 1997, the monthly re-

Figure 5

Bay Area Rapid Transit state subsidy					
Date of fare	Maximum Fare*	Monthly Fare (Two trips daily, 10 trips weekly x four)	Maximum monthly state reimbursement	Percentage of fare paid by state subsidy	Reimbursement that equals 1997 percentage
4/1/1997	\$4.70	\$188.00	\$65	35%	
1/1/2018	\$16.15	\$646.00	\$65	10%	35%=\$226
*San Francisco Bay Area Rapid Transit District					

imbursement would have to rise to \$226, just to stay even (See Figure 5). Tolls on Bay Area bridges, except for the Golden Gate Bridge, are scheduled to increase by \$3 over six years to as much as \$9 by 2025.^{xi}

In Southern California, Metrolink train fares are about \$340 to \$370 for a monthly pass from San Bernardino County into downtown Los Angeles, which the current reimbursement only covers about 19 percent.^{xii}

Commuting in high-cost areas is a necessity because of real estate costs, but the state subsidy has not kept pace and there is no clear directive to reduce commuting by telecommuting or dispersing work centers.

Proposed remedies:

- The state’s monthly transportation reimbursement must be adjusted from the flat rate of \$65 to a significant amount of the calculated cost for available public transit modes or parking within high-cost regions.
- The state issues FastTrak transponders that can be used for Bay Area bridge tolls and for toll roads in Southern California. They could be distributed to state workers in qualified regions. The transponders could be pre-loaded with a monthly state subsidy, and any additional amount the worker wants to add from his/her paycheck. Those without credit cards or banking accounts would be able to use the device that allows them to bypass long tollbooth lines.
- Make telecommuting the rule, not the exception in select areas. The state could be a leader in devising a model for public employees that balances employees’ needs and resolves the concerns of supervisors. Some cities, such as San Francisco, aggressively promote telecommuting as a way to meet air quality standards. A recent two-year study of a large Chinese travel agency conducted by a Stanford University professor concluded that telecommuters actually work harder and longer at home and had fewer sick days while saving \$2,000 per employee in reduced headquarter space.^{xiii}
- Alternative or flexible schedules--particularly ones that would shift commuting to off hours—should be available in high-cost areas. Hours of the day and the number of days, such as four 10-hour days, should be considered statewide, but offering the schedules when feasible should be mandatory in congested, urban areas. Alternate work schedules will help in recruiting and retaining employees in understaffed areas.

(5) Childcare costs

Other work expenses, such as childcare, carry a premium in high-cost areas. Even the state’s sponsored childcare seems to charge that premium. The state childcare at the California State Building Center in San Francisco state building is nearly \$2,700 a month for an infant, compared to \$1,040 at the California Environmental Protection Agency building in Sacramento.^{xiv}

In rural areas, availability becomes a problem, even though some of the state's largest institutions are, by design, rural.

Affordable options, such as Head Start, which includes hard-to-find infant care, are virtually closed for most state workers. In a September 2018 interview, a coordinator for Northern California Child Development, Inc., which runs the Head Start and Early Head Start programs in Tehama County, said both programs give greater priority to low-income and homeless families with fewer slots for higher incomes. That means long wait times for those families. The average annual state income in Tehama County is \$51,714. The income guidelines for Head Start there are \$25,100 a year for a family of four.^{xv}

In Del Norte County, where about 300 Local 1000 people work, the key issue is childcare that is flexible enough for those working the 24-hour institution there. The Del Norte Child Care Council helps county residents find childcare and offers some financial help paying for it, according to the director of resources and referral. Pelican Bay State Prison is several miles from Crescent City and has few nearby childcare options, according to the director, even though the council encourages daycare operators to open near the prison.

Childcare becomes extraordinarily burdensome when parents work in 24-hour facilities, work mandatory overtime and are assigned to isolated locations. State workers who need childcare in these regions need availability, affordability and flexibility for 24-hour institution work.

Proposed remedies:

- Legislation should reverse the ban on state childcare facilities in state prisons and permit daycares for every 700 employees in a geographic area rather than in one building. In addition, in rural areas with fewer employees, the state should contract with non-profit providers to reserve space for state workers, or partner with organizations like the Del Norte Child Care Council to provide subsidies for state workers, particularly infant care.
- For childcare and out-of-pocket medical expenses, the Internal Revenue Service sets the Flex-Elect Savings cap of \$5,000 for each, but the state should lobby the federal government to up the cap for high-cost areas. The state should explore a companion-type program for health care and child care expense reimbursement on its own.

(6) Healthcare costs

What might not be obvious are challenges for the state's workers in places where few people live, particularly health care. Without a Kaiser local facility, choices are limited, creating a unique hardship. In-network providers can be difficult to find for routine healthcare, causing patients to drive hours to urban areas for care.

Providing affordable health care in rural regions is a challenge, but the state needs to create a system that serves workers who must live there, the same as for state workers who live out of state.

Proposed remedies:

- The state should cover the cost of PPO plans, like the plans for out-of-state employees, in counties without Kaiser.
- The state should ensure workers get days off for documented medical conditions that require long distance travel for treatment/specialist appointments.

- The State, SEIU Local 1000, and state legislators shall work together to bring back the Rural Health Care Subsidy.
- Require potential PPOs to provide a list of providers accepting new employees.
- Allow flexible schedules so state employees can take advantage of social and community services, such as food banks and medical/dental “free service days”.

Endnotes

-
- ⁱ Alaska Geographic Differential Study, 2008, <http://doa.alaska.gov/dop/gds/>
- ⁱⁱ <https://law.justia.com/codes/alaska/2017/title-39/chapter-27/section-39.27.020/>
- ⁱⁱⁱ <https://www.flrules.org/gateway/RuleNo.asp?id=60L-32.0012>
- ^{iv} <https://www.cs.ny.gov/sstse/results.cfm> and https://www.pef.org/archive/contract_resources/geographics.htm
- ^v <https://www.huduser.gov/portal/datasets/il/il2018/2018summary.odn>
- ^{vi} <https://www.coastalhousing.org/>
- ^{vii} <https://lao.ca.gov/Publications/Detail/3214>
- ^{viii} <https://www.highways.org/2015/11/unclogging-study2015/>
- ^{ix} <https://static.tti.tamu.edu/tti.tamu.edu/documents/mobility-scorecard-2015.pdf>
- ^x <https://centerforjobs.org/ca/special-reports/california-commuters-continue-to-choose-single-occupant-vehicles>
- ^{xi} <https://www.sfgate.com/bayarea/article/Bay-bridge-richmond-carquinez-toll-increase-rise-12972249.php>
- ^{xii} <https://www.metrolinktrains.com/ticketsOverview/ticket-info/price-finder/>
- ^{xiii} <https://www.inc.com/scott-mautz/a-2-year-stanford-study-shows-astonishing-productivity-boost-of-working-from-home.html>
- ^{xiv} <http://c5children.org/admissions/tuition/> San Francisco; <https://www.discoverytreeschools.com/i-st-downtown> Sacramento
<http://www.calhr.ca.gov/benefits/Pages/state-sponsored-child-care-centers.aspx>
- ^{xv} https://www.nccdi.com/uploads/4/1/8/2/41820821/age_elig_income_guidelines_18-19.pdf

Appendices, A and B

Appendix A: California Association of Realtors, Housing affordability index, First quarter 2018

California Association of Realtors Region	Median Home Price	Monthly Payment Including Taxes & Insurance	Minimum Qualifying Income
Calif. Single-family home	\$538,640	\$2,790	\$111,500
Calif. Condo/Townhome	\$449,720	\$2,330	\$93,090
Los Angeles Metropolitan Area	\$500,000	\$2,590	\$103,500
Inland Empire	\$350,000	\$1,810	\$72,450
San Francisco Bay Area	\$900,000	\$4,660	\$186,300
United States	\$245,500	\$1,270	\$50,820
San Francisco Bay Area			
Alameda	\$875,000	\$4,530	\$181,130
Contra-Costa (Central County)	\$615,000	\$3,180	\$127,310
Marin	\$1,360,000	\$7,040	\$281,520
Napa	\$679,000	\$3,510	\$140,550
San Francisco	\$1,610,000	\$8,330	\$333,270
San Mateo	\$1,575,050	\$8,150	\$326,040
Santa Clara	\$1,373,000	\$7,110	\$284,210
Solano	\$430,000	\$2,230	\$89,010
Sonoma	\$681,000	\$3,520	\$140,970
Southern California			
Los Angeles	\$545,540	\$2,820	\$112,930
Orange County	\$810,000	\$4,190	\$167,670
Riverside County	\$397,000	\$2,050	\$82,180
San Bernardino	\$278,500	\$1,440	\$57,650
San Diego	\$610,000	\$3,160	\$126,270
Ventura	\$635,500	\$3,290	\$131,550
Central Coast			
Monterey	\$590,000	\$3,050	\$122,130
San Luis Obispo	\$596,400	\$3,090	\$123,460
Santa Barbara	\$675,000	\$3,490	\$139,730
Santa Cruz	\$850,000	\$4,400	\$175,950

California Association of Realtors Region	Median Home Price	Monthly Payment Including Taxes & Insurance	Minimum Qualifying Income
Central Valley			
Fresno	\$258,000	\$1,340	\$53,410
Kern (Bakersfield)	\$231,500	\$1,200	\$47,920
Kings County	\$232,000	\$1,200	\$48,020
Madera	\$255,000	\$1,320	\$52,790
Merced	\$262,500	\$1,360	\$54,340
Placer County	\$465,000	\$2,410	\$96,260
Sacramento	\$355,000	\$1,840	\$73,490
San Benito	\$560,000	\$2,900	\$115,920
San Joaquin	\$362,500	\$1,880	\$75,040
Stanislaus	\$300,000	\$1,550	\$62,100
Tulare	\$225,000	\$1,160	\$46,580
Other Calif. Counties			
Amador	\$330,750	\$1,710	\$68,470
Butte	\$307,000	\$1,590	\$63,550
Calaveras	\$315,000	\$1,630	\$65,210
El Dorado	\$489,000	\$2,530	\$101,220
Humboldt	\$300,050	\$1,550	\$62,110
Lake County	\$266,450	\$1,380	\$55,160
Lassen	\$171,000	\$880	\$35,400
Mariposa	\$292,500	\$1,510	\$60,550
Mendocino	\$412,500	\$2,130	\$85,390
Mono	\$780,000	\$4,040	\$161,460
Nevada	\$400,000	\$2,070	\$82,800
Plumas	\$ NA	\$ NA	\$ NA
Shasta	\$249,900	\$1,290	\$51,730
Siskiyou	\$210,000	\$1,090	\$43,470
Sutter	\$282,700	\$1,460	\$58,520
Tehama	\$219,000	\$1,130	\$45,330
Tuolumne	\$280,000	\$1,450	\$57,960
Yolo	\$400,000	\$2,070	\$82,800
Yuba	\$269,950	\$1,400	\$55,880

Appendices, A and B

Appendix B: Average monthly salaries of Local 1000 workers by county

Work County	Avg Monthly Salary	Local 1000 employees who work in county
San Francisco	\$5,731	1,634
Solano	\$5,631	1,564
Marin	\$5,591	384
Yolo	\$5,571	2,013
San Joaquin	\$5,532	2,517
San Luis Obispo	\$5,521	1,483
Napa	\$5,438	1,678
Yuba	\$5,422	328
Kings	\$5,370	1,384
San Bernardino	\$5,322	3,167
Sacramento	\$5,285	43,397
Monterey	\$5,285	1,061
Madera	\$5,269	744
Amador	\$5,247	479
Lassen	\$5,143	602
Kern	\$5,138	2,107
Del Norte	\$5,130	296
Imperial	\$5,102	707
Alameda	\$5,074	3,185
Tuolumne	\$5,018	282
Los Angeles	\$4,960	7,713
Riverside	\$4,939	2,771
Ventura	\$4,909	471
San Diego	\$4,836	2,918
Orange	\$4,828	2,353
Sonoma	\$4,803	608
Fresno	\$4,772	3,444
Placer	\$4,772	183
Santa Clara	\$4,684	723

Work County	Avg Monthly Salary	Local 1000 employees who work in county
Contra Costa	\$4,655	582
Shasta	\$4,433	648
San Mateo	\$4,392	173
Inyo	\$4,391	96
Humboldt	\$4,356	372
Tehama	\$4,310	47
Tulare	\$4,307	476
Butte	\$4,267	192
El Dorado	\$4,210	68
Stanislaus	\$4,044	104
Santa Cruz	\$3,950	95
Merced	\$3,893	93
Calaveras	\$3,863	17
Sutter	\$3,835	29
Santa Barbara	\$3,823	138
Mendocino	\$3,676	43
Lake	\$3,655	13
Nevada	\$3,639	71
San Benito	\$3,602	10
Siskiyou	\$3,502	73
Colusa	\$3,285	4
Trinity	\$3,162	16
Plumas	\$3,019	13
Mariposa	\$2,987	37
Glenn	\$2,920	13
Mono	\$2,813	35
Modoc	\$2,721	16