California State Assembly

Agenda

Assembly Budget Subcommittee No. 5
on State Administration

Assemblymember Sharon Quirk-Silva, Chair

Tuesday, April 9, 2024
1:30 P.M. – State Capitol, Room 447

Items To Be Heard

Public Comment will be taken in person after the completion of all panels and any discussion from the Members of the Subcommittee.

Items To Be Heard

2240 Housing and Community Development Department

Issue 1: Governor's Proposed Budget Solutions for Housing

This item will discuss the Governor's proposed budget solutions which include reductions and reversions in the state's spending on housing programs.

The Governor's budget proposes a variety of cuts to housing programs in the prior year, current year and the budget year. These proposed cuts represent a reduction of about $1.2 billion in state spending on housing.

1. Multifamily Housing Program (MHP) – Proposes to revert $250 million of the $325 million GF in the 2023 Budget Act, leaving $75 million.

2. Foreclosure Intervention Housing Preservation Program – Proposes a reduction of $247.5 million GF over the next three years beginning in 2024-25 through 2026-27. Proposes to keep $82.5 million in 2023-24.

3. Infill Infrastructure Grant (IIG) Program – Proposes to revert $200 million of the $225 million allocated as part of the 2023 Budget Act, leaving $25 million in 2023-24.

4. CalHOME Program - Proposes to revert $152.5 million GF; with a reduction of $102.5 million from 2022-23 and $50 million from 2023-24

5. Veteran Housing and Homelessness Prevention Program – proposes to revert $50 million of $50 million GF from the 2023 Budget Act.

6. Regional Early Action Planning Grants 2.0 (REAP 2.0) – A reversion of $300 of the $600 million GF allocated in 2021-22.

7. Housing Navigators – proposes a reduction of $13.7 million

The chart on page 3 shows the amounts allocated according to the 2023-24 Enacted Budget (EB) compared to the Governor's January Budget (GB).

Governor's Proposed reductions and reversions in Housing Spending

Program	2021-22 EB	2021-22 GB	2022-23 EB	2022-23 GB	2023-24 EB	2023-24 GB	2024-25 EB	2024-25 GB
Department of Housing and Community Development								
Infill Infrastructure Grant Program	$250.00	$250.00	$200.00	$200.00	$225.00	$25.00		
CalHome			$250.00	$147.50	$50.00	$0.00		
Veterans Housing and Homelessness Prevention			$50.00	$50.00	$50.00	$0.00		
Multifamily Housing Program			$100.00	$100.00	$325.00	$75.00		
Regional Early Action Planning Grants	$600.00	$300.00						
Foreclosure Intervention Housing Preservation Program	$155.00	$155.00			$82.50	$82.50	$85.00	$0.00
Housing Navigators	$5.00	$5.00	$13.70	$13.70	$13.70	$13.70	$13.70	$0.00

Reflects Amount After 2024 Governor's Budget Proposed Solutions

EB means 2023-24 Enacted Budget

GB means Governor's 2024-25 Proposed Budget.

Additionally, the Governor's budget does not include the additional $500 million allocation of the Enhanced Low Income Housing Tax Credit (LIHTC), leaving only the base LIHTC for the 2025 tax year. The base LIHTC is estimated to be about $120 million for the 2025 tax year.

California Tax Credit Allocation Committee	2022	2023	2024	2025
Continuous State Low Income Housing Tax Credit Allocation	$111.46	$118.65	$122.63	$122.63
Enhanced State Low Income Housing Tax Credit Allocation	$500.00	$500.00	$500.00	$0.00

Background

1. **Multifamily Housing Program (MHP).** In 2018, voters approved Proposition 1, authorizing the Veterans and Affordable Housing Bond Act. The MHP program received Proposition 1 bond funding for new construction, acquisition and rehabilitation of permanent or transitional rental housing, and the conversion of nonresidential structures to rental housing for low-income households. In addition to bond funding, the MHP zprogram also received discretionary General Fund augmentations of $425 million in 2022-23 and 2023-24. The Governor's 2024-25 budget proposes to reduce General Fund support for MHP by $200 million.

2. **Foreclosure Intervention Housing Preservation Program.** The 2021-22 budget provided $500 million one-time General Fund to HCD for the newly established Foreclosure Intervention Housing Preservation Program (the 2023-24 budget reduced this funding by $15 million). The program provides loans and grants to preserve affordable housing and promote resident ownership or nonprofit organization ownership of homes at risk of foreclosure. Specifically, the program requires the preservation of units acquired through this funding for use as affordable housing. Funds are available through December 31, 2025. The Governor's 2024-25 budget proposes to further reduce the funding by $247.5 million.

3. **Infill Infrastructure Grant (IIG) Program.** The IIG Program was created in 2007 within HCD to provide funding for infrastructure that supports higher-density affordable and mixed-income housing in locations designated as infill. Under the program, developers and local governments can partner to apply for infrastructure funding, including the development or rehabilitation of parks or open space; water, sewer, or other utility service improvements; streets; roads; sidewalks; and environmental remediation. Originally, bond funding was provided for the program through the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) and the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1). Since 2019-20, $775 million General Fund has been provided for the IIG Program. The 2024-25 budget proposes a $200 million General Fund reduction for IIG.

4. **CalHOME.** The CalHome program provides grants to local public agencies and nonprofit corporations for first-time homebuyer and housing rehabilitation assistance, homebuyer counseling, and technical assistance activities to enable low- and very-low-income individuals to become or remain homeowners. Historically, the program has been supported through bond funding. The 2022-23 budget provided $350 million General Fund for CalHome over two years. (The Governor's 2024-25 budget proposes to reduce CalHome by $152. 5 million—$102.5 million in 2022-23 and $50 million in 2023-24).

5. **Veteran's Housing and Homelessness Prevention Program (VHHP.)** The VHHP program provides long term loans for the acquisition, construction, rehabilitation, and preservation of affordable multifamily housing for veterans and families. Although the program recently received $50 million General Fund in fund in both 2022-23 and 2023-24, the program has historically been funded through Proposition 46 bond funding. The Governor's 2024-25 budget proposes to reduce the program by $50 million General Fund.

6. **Regional Early Action Planning Grants 2.0 (REAP 2.0)** will be discussed separately under Issue 2.

7. **Housing Navigators** will be discussed separately under Issue 3.

Panel

- Andrew March, Assistant Program Budget Manager, Department of Finance
- Ginni Bella Navarre, Deputy Legislative Analyst, Legislative Analyst's Office

Staff Comments

1. MHP is the flagship program at HCD. It is a program that funds the broadest array of affordable housing projects. Since 2013, the state has invested one time funding into MHP to supplement bond allocations and ensuring and growing a pipeline of funding for affordable rental housing.

2. The Foreclosure Intervention Prevention Program is a new program that has yet to issue any awards. The program was originally programmed at $500 million with a 20 percent set aside for the administration of the program, meaning $100 million would be dedicated to administration. The standard administration fee percentage is 5 percent for other HCD programs.

   The Subcommittee may wish to ask about the 20 percent set aside for administration of the program, why it is set to 20 percent? Does the program have an overall goal for how many units of housing will preserve and what the average size of grant the program will allocate?

3. The Infill Infrastructure Grant Program was changed in 2019 to include funding for small jurisdictions ensuring that funds were allocated across the state. With the changes to include the small jurisdictions, the 2007 program was phased out. Additionally, in 2022, through the budget process the state created an IIG Catalytic program with the goal of providing financial assistance for Capital Improvement Projects (CIPs or Projects) that

are necessary to facilitate the development of Catalytic Qualifying Infill Areas. Sites and parcels that make up Catalytic Qualifying Infill Areas must have been either previously developed (within the last ten years) or largely surrounded by sites developed with Urban Uses. The Governor's budget does not propose to cut the Catalytic funding within IIG.

4. There is currently about $130 million in Proposition 46 (2002), Proposition 1 (2018), and Proposition 1C (2006) funding remaining for CalHome. Beginning in the summer of 2024, the administration will make $90 million available for CalHome. Awards are expected to be announced in late 2024.

   The Subcommittee may wish to ask if there are any barriers to distributing the CalHome funding and why it has so much funding remaining from previous years.

5. Veterans housing will likely see additional funding from the passage of Proposition 1. The state estimates the bond would build up to 4,350 housing units, with 2,350 set aside for veterans. The bond would provide housing to over 20 percent of veterans experiencing homelessness.

The Subcommittee may also wish to ask the following:

- How did DOF decide which programs to cut? What metrics did they use to make that determination?

- Can the department discuss the Catalytic IIG program? How much funds have went out through the new program? Why were cuts not included in the Catalytic program versus the traditional IIG?

- If there is a limited amount of funding, does HCD have any recommendations on which programs to invest in to produce the most housing?

Staff Recommendation: Hold Open

Issue 2: Regional Early Action Program 2.0

The Governor's January 2024 Budget proposes to revert back to the General Fund $300 million of the $600 million that was previously allocated to the Regional Early Action Planning 2.0 (REAP 2.0) grant program in the 2021 Budget Act.

The REAP 1.0 program was established in the 2019 Budget Act and allocated $250 million in grants to regions, cities, and counties to support planning activities designed to accelerate housing production.

As a follow up, the 2021 budget dedicated $600 million to a second iteration of REAP. REAP 2.0 was designed to have the Department of Housing and Community Development (HCD) in collaboration with the Office of Planning and Research (OPR), the Strategic Growth Council (SGC) and the State Air Resources Board (ARB) provide regions with funding for transformative planning and implementation activities. Transformative planning and implementation activities mean housing, planning, infrastructure investments supporting infill housing, and other actions that enable meeting housing goals that also result in per capita vehicle miles traveled reductions, including accelerating infill development, supporting residents through realizing multimodal communities, shifting travel behavior through reducing driving, and increasing transit ridership.

This program was also successful in providing funding for regions to implement the region's Sustainable Communities Strategy, as required by SB 375 (2008). SB 375 was the first bill to tie transportation to housing, and the REAP funds were designed to provide funds to achieve those goals.

Process to Apply for REAP 2.0. The process for regions to apply for REAP 2.0 was longer than anticipated. The program became effective in July 2021, but the NOFA was not available until August 2022. In order for regions to draw down funds from HCD, the following steps were necessary.

1. MPO must first engage in public outreach to develop its program budget
2. Program budget is submitted to HCD (Many programs include regionally based competitive grant programs)
3. HCD consults with OPR & ARB regarding proposed budget
4. Program budget is approved by HCD**
5. HCD enters contract agreement with MPO
6. MPO begins sub allocation process
7. MPO selects projects for awards
8. MPO enters into contract agreements with award recipients
9. Award recipients engage consultants, contractors
10. Consultants/Contractors incur expenses, submit forms for reimbursement

11. MPO receives reimbursement form, submits it to HCD
12. HCD receives reimbursement, disperses check, which MPO forwards to sub applicant.

The program works on a reimbursement basis, so work must have been completed prior to receiving reimbursement from the state, whereas other programs in HCD, the awardee receives their funding and can begin work.

Panel

- Maura Twomey, Executive Director, Association of Monterey Bay Area Governments
- Kome Ajise, Executive Director, Southern California Association of Governments
- Meghan Kirkeby, Deputy Director of Housing Policy Development, Housing and Community Development
- Ginni Bella Navarre, Deputy Legislative Analyst, Legislative Analyst's Office
- Andrew March, Assistant Program Budget Manager, Department of Finance
- Blair Huxman, Finance Junior Staff Analyst, Department of Finance

Staff Comments

The goal of the REAP 2.0 program was to provide planning funds to regions both large and small for housing tied to transportation. The work that the regions have done is far beyond the planning phases that was originally envisioned with this program. The inclusion of this program as a possible cut has already disrupted housing units from moving forward and will cause additional delays until the budget is enacted.

The Subcommittee may wish to ask the following:

- Can HCD please explain the difference between reimbursement programs versus other programs? For programs that operate on a reimbursement basis, is it normal for reimbursements to lag?
- Can HCD explain the timeline for when REAP applications were approved by HCD? And once applications were approved, how much work had already begun by regions.
- Can DOF please explain why this program was included in the cuts when regions had already engaged in a lot of work?
- Can the MPOs please explain the process how to reimburse for work? Have you experienced any challenges in getting reimbursed for work completed?
- After the Governor's budget was introduced, did HCD provide any guidance about work performed and how much work could be reimbursed?

Staff Recommendation: Hold Open.

Issue 3: Housing Navigation and Maintenance Program

The Governor's January 2024 Budget proposes to eliminate an ongoing, annual allocation of $13.7 million for the Housing Navigation and Maintenance Program (HNMP) at HCD.

The HNMP provides formula-based grants to counties to enable them to hire or devote staff to identifying and assisting young adults between 18 and 24 years old to obtain and retain housing. The size of each county's award is determined by its percentage of the total statewide number of young adults aged 18 to 24 years of age who are currently or formerly in the foster care system.

HCD staff describe the program as flexible. Services under HNMP can include help applying for housing vouchers, identifying available units, communicating with landlords, filling out applications, making initial rent and security deposits, and avoiding problems that could otherwise lead to eviction. Many of the youth served by HNMP recently emancipated from the foster care system, though the program is not exclusive to that population. One key rationale for HNMP is to help former foster youth successfully obtain and utilize one of two types of specialized federal housing vouchers available to them: the Family Unification Program (FUP) and the Foster Youth to Independence (FYI) program. Both programs offer up to three years of rental assistance coupled with supportive services. In 2021, approximately 870 California youth had such vouchers.

Panel

- Simone Tureck Lee, John Burton Advocates for Youth
- Rosella Wilhelm, JBAY Youth Advocate
- Zachary Olmstead, Chief Deputy Director, Housing and Community Development
- Matt Schueller, Deputy Director of Administration, Housing and Community Development
- Ginni Bella Navarre, Deputy Legislative Analyst, Legislative Analyst's Office
- Andrew March, Assistant Program Budget Manager, Department of Finance
- Blair Huxman, Finance Junior Staff Analyst, Department of Finance

Staff Comments

The funds for this program protect a very specific group of foster youth who are currently or formerly in foster care system. According to advocates, the HNMP leverages $22.6 million annually from the U.S. Department of Housing and Urban Development (HUD) in the form of special population Housing Choice Vouchers for youth exiting foster care. A condition of this federal funding is the provision of supportive services to participating youth; HNMP funds these supportive services. As of October 2023, a total of 1,341 former foster youth in California hold a voucher and the average monthly per unit cost in California is $1,404, according to HUD's Housing Choice Dashboard, as of November 2023.

The Subcommittee may wish to ask the following:

- Are there other funding counties have that could be used for the purpose of providing housing navigation and services to youth with federal Housing Choice Vouchers?

Staff Recommendation: Hold Open.

Issue 4: Federal Financial Assistance Support Staff

The Department of Housing and Community Development (HCD) requests position authority for 10.0 positions in 2024-25 and ongoing to administer U.S. Department of Housing and Urban Development (HUD)-funded programs.

One of HCD's key functions is to operate as the state-level manager of a variety of federally-funded housing programs. HCD has a special unit dedicated to administering these programs called Division of Federal Financial Assistance (DFFA).

Currently, 13 staff operate the HOME program from within DFFA: seven in the HOME Program Unit and six in the HOME Projects Unit. HCD reports that recent developments have increased the HOME Project Unit's workload, leaving it understaffed. Specifically, those developments include:

- Changes to the program's federal regulations in 2013;
- Realignment of duties in 2015;
- Changes to HOME's Notice of Funding Availability (NOFA) in 2017-18;
- HUD monitoring audit and subsequent findings in 2018; and
- Increased federal allocations.

To address these workload challenges, HCD now seeks authority to hire 10 additional staff in the DFFA unit. Seven would be detailed to the HOME Project Unit, where they would establish a Loan Closing and Transactions Unit. The other three would support the administration of DFFA more generally. HCD explains that all of the new positions would be funded through the federal programs that DFFA administers. According to HCD, these new positions will enable DFFA "to make timely NOFA awards and provide DFFA with the necessary resources to effectively handle complications and unexpected workload additions."

Panel

- Zachary Olmstead, Chief Deputy Director, Housing and Community Development
- Matt Schueller, Deputy Director of Administration, Housing and Community Development
- Ginni Bella Navarre, Deputy Legislative Analyst, Legislative Analyst's Office
- Andrew March, Assistant Program Budget Manager, Department of Finance
- Blair Huxman, Finance Junior Staff Analyst, Department of Finance

Staff Comments

The additional staffing proposed will be funded through federal dollars and will not impact the General Fund.

Staff Recommendation: Hold Open

Issue 5: Permanent Local Housing Allocation Program Administration

Through the Governor's January 2024 Budget, the Housing and Community Development Department (HCD) requests authority to add four staff positions in 2024-25 and ongoing, paid out of the Building Homes and Jobs Trust Fund, to monitor the Permanent Local Housing Allocation (PLHA) Program, disburse funds, and report on affordable owner-occupied workforce housing outcomes paid for out of the Building Homes and Jobs Trust Fund.

SB 2 (Atkins, Ch. 364, Stats. 2017) imposed a $75 fee on the recording of certain real estate documents and directed the proceeds into a new Building Homes and Jobs Trust Fund. SB 2 also specified how the money in the Fund must be spent. Thirty percent of the funding goes to in-state affordable housing production financing programs. The remaining 70 percent supports the PLHA.

Most of the PLHA portion of the fund (93 percent) goes to local jurisdictions based on a population-based formula. HCD awards the other seven percent of PLHA as competitive grants to non-entitlement jurisdictions.

According to HCD, the number of total PLHA contracts it manages has increased significantly in recent years, doubling from roughly 150 in 2020-21 to around 300 in 2022-23, and HCD forecasts that the PLHA program will reach at, or close to its maximum possible number of contracts – 350 – in 2024-25. During this period of growth, staffing levels have not kept pace.

As a result, the workload for the PLHA staff tasked with monitoring these contracts has risen to about 70 each. HCD explains that management of each contract entails regular "disbursement of funds, reviewing of loan documents, reviewing of annual reports for compliance, data analysis, annual contract amendments, and ongoing technical assistance."

With this proposal to add four additional staff to the team, HCD calculates it can reduce that figure to 44 contracts per assigned staff position in 2024-25. In 2025-26, when HCD expects further staff reinforcements to arrive after completion of their duties managing other existing programs, HCD projects it will be able to trim the PLHA staff workload to 32. According to HCD, that level is sufficient to "ensure the number of contracts per HCDR II remain at a manageable level, improve processing times, provide adequate resources for technical assistance."

Panel

- Zachary Olmstead, Chief Deputy Director, Housing and Community Development
- Matt Schueller, Deputy Director of Administration, Housing and Community Development
- Ginni Bella Navarre, Deputy Legislative Analyst, Legislative Analyst's Office
- Andrew March, Assistant Program Budget Manager, Department of Finance

- Blair Huxman, Finance Junior Staff Analyst, Department of Finance

Staff Comments

There is no General Fund impact since the funding for the positons is paid through the Building Homes and Jobs Trust Fund.

The Subcommittee may wish to ask the following:

- Of the categories of funding, what is the majority of the funds being spent on by local governments?

Staff Recommendation: Hold Open.

0515 Business, Consumer Services and Housing Agency
2240 Housing and Community Development Department

Issue 6: Governor's January Budget Solutions for Homelessness

The Governor's January budget proposes the following with respect to the Homeless Housing, Assistance and Prevention Program (HHAP):

- Delay from 2023-24 to 2025-26 of $260 million General Fund
- Maintain a total of $1.1 billion General Fund for HHAP 5 across 2023-24 and 2024-25 to provide local jurisdictions, including federally recognized tribal governments, with flexible funding to continue efforts to prevent and end homelessness in their communities.
- Revert $100.6 million in administrative set asides as General Fund savings.

As part of the 2023 Budget Act, the Legislature enacted additional accountability provisions as a requirement of the HHAP funding. Additionally, as part of the bill, the Legislature eliminated bonus funding and instead created a new process for local governments to access these funds. The reprogrammed bonus funds amount to the $260 million that are targeted as a delay in the Governor's January budget.

The funding was split, $100 million from Round 3 and the remaining funds from Round 4. To access the Round 3 funds each HHAP recipient must submit their regional plan and to access Round 4 funds, each HHAP recipient had to complete a regional plan and have an approved compliant housing element. With the submission of the regional plan that are required under Round 5, jurisdictions should have accounted for in their plans receiving the additional funds if they met the criteria.

Panel

- Meghan Kirkeby, Deputy Director of Housing Policy Development, Housing and Community Development
- Meghan Marshall, Executive Director, California Interagency Council on Homelessness
- Ginni Bella Navarre, Deputy Legislative Analyst, Legislative Analyst's Office
- Chris Hill, Principal Program Budget Analyst, Department of Finance
- Kaily Yap, Finance Junior Staff Analyst, Department of Finance

Staff Comments

Local governments have relied on the flexible nature of the HHAP funding to create systems to address the unsheltered populations in their region. Additionally, HHAP funding has provided the necessary operating subsidies to complement the Homekey program. However, with the one-time nature of the funding, without additional funds, the program is in jeopardy beyond Round 5. The loss of funding will result in an increase in homelessness across the state.

Preserving as much funding for HHAP as possible may help with extending the life of the program and continuing to provide housing assistance to our most vulnerable populations.

Staff Recommendation: Hold Open.

Issue 7: Transition of Cal ICH Homelessness Grants Program

The Governor's budget includes a budget change proposal to transfer the HHAP program from Cal-ICH to HCD as follows:

- The Department of Housing and Community Development (HCD) requests new position authority for 4.0 positions in 2024-25 and ongoing to integrate and administer the California Interagency Council on Homelessness (Cal ICH) Homeless Housing, Assistance and Prevention (HHAP) and all other Cal ICH grant programs, as outlined in Chapter 40, Statutes of 2023 (Assembly Bill 129). Cal ICH will also transfer 22.0 existing positions that currently support grant operations to HCD to administer these programs.

Due to increasing and ongoing responsibilities of grant development and administration since 2018, Cal ICH has been unable to fulfill its intended and core mission of overseeing the implementation of Housing First policies, guidelines, and regulations to prevent and end homelessness in California. As a result, there is a desire to transfer Cal ICH's grant programs to HCD, as specified in Chapter 40, Statutes of 2023 (Assembly Bill 129). By transferring Cal ICH grant administration to HCD, the grant programs will leverage HCD's significant expertise in grant administration and will be subject to HCD's accountability and enforcement, ensuring greater homelessness reduction outcomes, and allowing Cal ICH to solely pursue its mission. This proposal requests resources for HCD to provide the critically needed capacity to administer the Cal ICH grants which will further align state homelessness funding.

As unsheltered homelessness continued to rise, Cal ICH was authorized under Chapter 847, Statutes of 2016 (Senate Bill 1380) and was first known as the Homeless Coordinating and Financing Council. In 2021, Governor Newsom signed Chapter 398, Statutes of 2021 (Assembly Bill 1220), which renamed and restructured the Council to continue California's forward momentum towards the state's broader vision for greater statewide leadership and coordination around its response to the homelessness crisis.

However, Cal ICH has mostly been unsuccessful in achieving the higher-level function it was meant to, primarily because it has not been given the opportunity to exist solely in this capacity. Less than one year from its creation, and nearly every year thereafter, Cal ICH began receiving new state housing investments for implementation and oversight:

Year	Legislation	Program Name	Dollar Amount (Total)
2018	Chapter 48, Statutes of 2018 (Senate Bill 850)	Homeless Emergency Aid Program (HEAP)	$500 Million
2020	Chapter 2, Statutes of 2020 (Senate Bill 89)	COVID-19	$100 Million

2021-2023	Chapter 111, Statutes of 2021 (Assembly Bill 140)	Family Homeless Challenge (FHC) Grant	$40 Million
2021-2023	Chapter 111, Statutes of 2021 (Assembly Bill 140)	Encampment Resolution Fund (ERF)	$750 Million
2020-2024	Chapter 159, Statutes of 2019 (Assembly Bill 101), Chapter 15, Statutes of 2020 (Assembly Bill 83) Chapter 111, Statutes of 2021(Assembly Bill 140) Chapter 43, Statutes of 2022 (Senate Bill 154)	Homeless Housing, Assistance and Prevention Program (HHAP) * including Tribal HHAP	$3.99 Billion

Panel

- Meghan Kirkeby, Deputy Director of Housing Policy Development, Housing and Community Development
- Matt Schueller, Deputy Director of Administration, Housing and Community Development
- Meghan Marshall, Executive Director, California Interagency Council on Homelessness
- Ginni Bella Navarre, Deputy Legislative Analyst, Legislative Analyst's Office
- Chris Hill, Principal Program Budget Analyst, Department of Finance
- Kaily Yap, Finance Junior Staff Analyst, Department of Finance

Staff Comments

As part of the 2023 Budget Act, language was included to move the HHAP program over to HCD in order to allow Cal-ICH to fulfill the other requirements it was created to undertake.

The Subcommittee may wish to consider whether Cal-ICH has enough resources to fulfill its requirements under current legislation without the additional HHAP funding? Also will Cal-ICH have any continued role in working on HHAP, and if so, how will that be funded?

Staff Recommendation: Hold Open.

2245 California Housing Finance Agency

The California Housing Finance Agency's (CalHFA) mission is to create and finance progressive housing solutions so more Californians have a place to call home. CalHFA's Multifamily Division finances affordable rental housing through public and private partnerships, while its Single Family Division finances first mortgage loans and down payment assistance loans to first-time homebuyers through a network of preferred lenders.

CalHFA is statutorily required to maintain financial and operational independence by setting loan interest rates above its cost of funds and charging fees to cover its lending costs and risks. The objective of CalHFA's lending activity is to advance the creation and preservation of affordable housing using various lending models that facilitate: (1) mortgage loans to qualified low-and moderate-income homebuyers to finance the purchase of an affordable home and (2) permanent loans to create and preserve multifamily housing projects for low- and moderate-income residents.

Issue 8: Budget Overview and Program Updates

The California Housing Finance Agency will provide an update on the California Dream for All, Accessory Dwelling Units and the Middle Income Program.

The California Dream for All (DFA) is beginning Phase 2 with $255 million in funding and an estimated 2,000 DFA loans. There are some changes from the first round:

1. Loan Delivery and Reservation Process. This round there is a registration portal that will allow for random selection and vouchers.

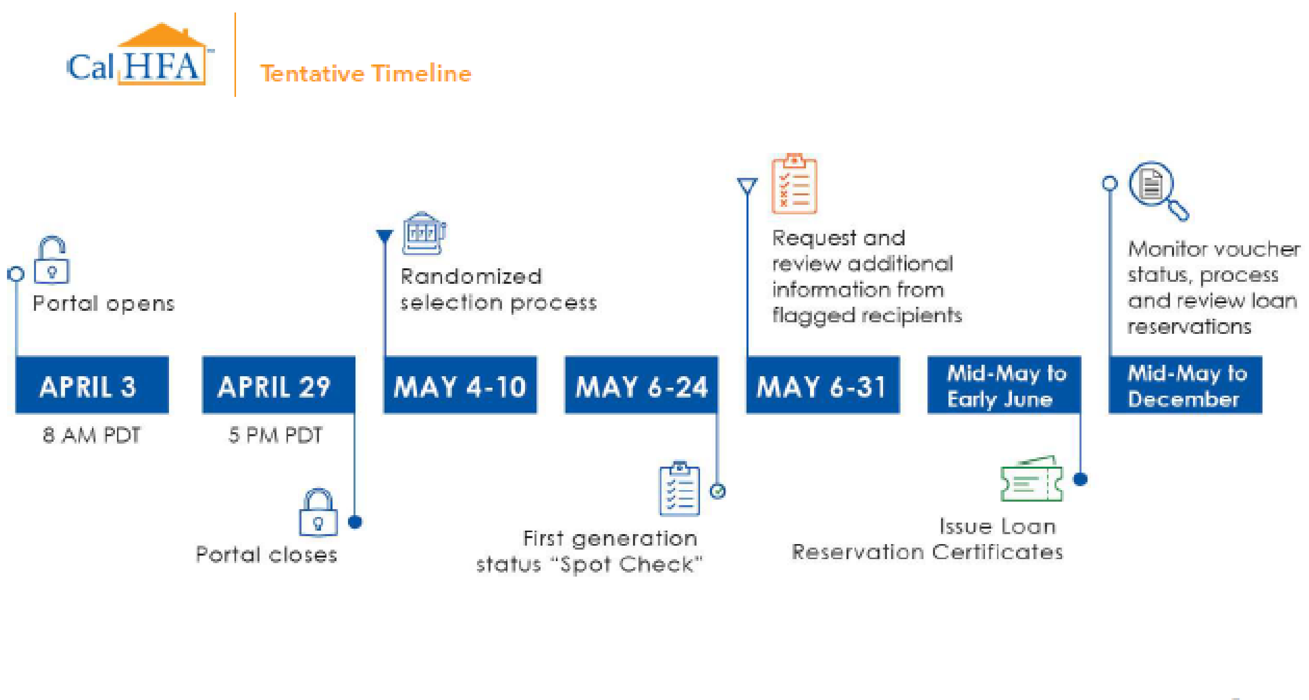
2. First Generation Eligibility Criteria. The new criteria requires that the borrower has not owned a home in the United States in the last 7 years, and that the borrower's parents do not presently, or did not at the time of their death, own a home in the US, or the borrower grew up in foster care.

3. Geographic Balance – see below

4. Target Lower Income Borrowers. This done by income limits of $150,000 cap and 95% CLTV minimum.

Geographic Balance

Timeline for the Program



Panel

- Chris Shultz, Chief Deputy Director, California Housing Finance Agency (CalHFA)
- Ellen Martin, Director of Homeownership, CalHFA
- Ginni Bella Navarre, Deputy Legislative Analyst, Legislative Analyst's Office
- Andrew March, Assistant Program Budget Manager, Department of Finance

Staff Comments

Staff Recommendation: This item was presented for information only.

1700 Civil Rights Department

The Civil Rights Department (CRD), formerly the Department of Fair Employment and Housing, is responsible for protecting the civil rights of the people of California. CRD receives, investigates, conciliates, mediates, and prosecutes complaints alleging unlawful discrimination in employment, housing, public accommodations, business, and state-funded programs and activities, as well as acts of hate violence and human trafficking. CRD is authorized to prosecute cases directly in court and to seek attorney's fees and costs when it is the prevailing party. CRD's jurisdiction extends to individuals, employers, housing providers, private and public entities, business establishments, and state-funded programs and activities within California. CRD also conducts a pay data reporting program, outreach and education, and other strategic initiatives to prevent and remedy discrimination and other unlawful conduct.

Issue 9: Governor’s January Budget Solutions for Civil Rights Department

The Governor’s January Budget proposes includes two budget proposals to address the deficit resulting in a reduction of $2.3 million for the Civil Rights Department as follows:

1. Eliminate $1.4 million in 2024-25 General Fund previously committed for the enhancement of the Civil Rights Department’s (CRD’s) enforcement, investigation, and conciliation capacities.

2. Eliminate $883,000 General Fund previously committed to the CRD’s Community Conflict Resolution and Conciliation efforts in 2024-25

Background

1. As part of the 2022 Budget Act, CRD requested and was allocated temporary funding to enhance its enforcement, investigation, and conciliation capacities. Specifically, CRD asked for $1.4 million General Fund in 2022-23, 2023-24, and 2024-25 to decrease the wait time between complaint intakes and investigative appointments, and to increase the number of complaints successfully conciliated and settled by investigators.

Since July 1, 2022, the number of intakes filed with CRD has been increasing and, with the BCP resources and other efforts, wait times went down and conciliations went up. Specifically:

CRD Enforcement Division Team	FY 2022-23	FY 2023-24
Employment	Wait time – Goal: 60 days Wait time – Actual: 113 days Conciliations – Actual: 92	Wait time – Goal: 30 days Wait time – Actual: 98 days Conciliations – Actual: 150 (thus far)
Housing	Wait time – Goal: 50 days Wait time – Actual: 103 days Conciliations – Actual: 132	Wait time – Goal: 30 days Wait time – Actual: 70 days Conciliations – Actual: 149 (thus far)

While these delays do not impact CRD's statutory deadlines for investigating cases because those deadlines only begin to run after the intake interview, having to wait can be frustrating for victims of civil rights violations and may jeopardize the availability of witnesses or evidence. In addition, CRD hoped that temporarily supplementing intake resources would free up capacity for CRD to resolve more of the discrimination complaints it receives through mediation.

2. As part of the 2022 Budget Act, CRD requested and was allocated temporary funding to conduct Community Conflict Resolution and Conciliation efforts. Specifically, CRD requested $889,000 General Fund in 2022-23 and $883,000 General Fund in 2023-24 and 2024-25 to provide resources and training to communities facing hate incidents or other conflict over discriminatory practices.

CRD reports that the resulting Community Conflict Resolution Unit (CCRU) has exceeded its initial goals:

	BCP Goal 2022-2023	BCP Goal 2023-2024	October 2022-Present
Community Conciliation Opportunities Explored	5	10	**23**
Community Conciliation Sessions Conducted	2	5	**8**
Community Engagement Sessions/ Meetings Conducted	10	15	**52**
Trainings for Local Leaders	2	4	**4**
Facilitated Meetings	N/A	N/A	**21**
Technical Consultations	N/A	N/A	**10**

Panel

- Adam Romero, Deputy Director of Executive Programs, Civil Rights Department
- Jamie Gillette, Deputy Director of Enforcement, Civil Rights Department
- Ginni Bella Navarre, Deputy Legislative Analyst, Legislative Analyst's Office
- Andrew March, Assistant Program Budget Manager, Department of Finance
- Blair Huxman, Finance Junior Staff Analyst, Department of Finance

Staff Comments

1. The limited-term funding appears to help reduce the wait times for cases but it still has not brought down the wait time to the goal wait time. The Subcommittee may wish to ask the following:

- What are the most common cases that are currently waiting to be heard?

- Are there any other resources in the department that could be used to address the wait times?

2. In lieu of the BCP funding for year three of the program, CRD plans to fund CCRU in 24-25 through other existing resources.

Staff Recommendation: Hold Open

0950 State Treasurer's Office

Issue 10: Additional Funding for Banking Operations Item Processing Software Service

The State Treasurer's Office (STO) requests $135,000 ($81,000 General Fund (GF) and $54,000 Central Service Cost Recovery Fund (CSCRF)) in 2024-25 and annual increases ongoing per the terms of the new eight-year contract signed with the vendor of STO's Item Processing software service. The STO also requests budget bill language (BBL) to facilitate vendor associated procurements related to the Treasurer's constitutional and legislative banking and investment responsibilities.

The STO relies upon the FIS Image Vision Item Processing software to facilitate its daily check processing activities. The current version of the software employed by the STO had reached its designated end-of-life stage, and the vendor announced its end of support on December 31, 2022. In response, the STO secured an extension of support by a span of one year, extending the support until December 31, 2023. This extension aligns with the ongoing transition to an upgraded version. The cost increase is due to the shift of the vendor's operational paradigm from the on-premises legacy framework to a cloud-based architecture. This transition has a transformative alteration in the licensing model, moving to a volume-based annual subscription framework. This shift has entailed an increase in the annual maintenance and support cost, reflected in the revised licensing structure.

The vendor further increased the price after the original pricing information was provided to the STO in early 2022. Although inflation peaked in mid-2022 and rebounded in early 2023, the notable inflation trend was cited as a primary reason for the price increase. The vendor was firm on the new pricing during the license negotiations with the STO that started in August 2023. As a result, the cost of unit processing was raised, leading to a clear rise in the annual subscription and support expenses. After diligent attempts to negotiate costs down through the extension of the contract duration, the anticipated annual expense, based on the estimated processing volume of checks and warrants, has surpassed the previously estimated 2022 figure by a margin ranging from $135,000 to $340,000.

Budget Bill Language. The Governor's January budget included trailer bill language (TBL) to exempt STO from certain statewide contracting requirement overseen by the Department of General Services (DGS). The TBL was intended to address the challenges the STO has encountered with newer DGS purchasing requirements that slowed the STO's process of completing time-sensitive contracts with vendors that supply critical, daily data to them.

In recent discussions with DGS, it was learned that DGS will be developing and implementing a more permanent administrative solution for certain electronic subscription purchasing processes in the next year or two that will help not only the STO, but all departments. Therefore, instead of the proposed TBL, DOF has coordinated with DGS and STO on an alternative BBL proposal that limits the contracting exemption to two years (in effect until July 1, 2026) and a per-contract dollar cap ($300,000). This short-term BBL will provide the STO the flexibility to ensure the timeliness of these electronic subscription contracts and DGS the time to develop/implement their updates to the electronic subscription purchasing process.

Proposed new Budget Bill Language - Provision 3 is added to Item 0950-001-0001:

3. Notwithstanding any other law, the Treasurer may enter into agreements for proprietary economic data, financial market data, credit ratings, research and risk analysis as required in connection with the Treasurer's duties pursuant to Section 16480.3 of the Government Code. The total amount of any single agreement shall not exceed $300,000. This provision shall remain in effect through July 1, 2026.

Panel

- Natalie Gonzales, Assistant Director, Centralized Treasury and Securities Management Division, STO
- Nayeem Mohammed, Director, Information Technology Division, STO
- Jeff Wurm, Director, Investments Division, STO
- Ginni Bella Navarre, Deputy Legislative Analyst, Legislative Analyst's Office
- Greg Bruss, Principal Program Budget Analyst, Department of Finance

Staff Comments

The additional resources requested for software are reasonable, staff has no concerns. The budget bill language proposed is more reasonable than the trailer bill language that was originally included. Staff had concerns about exempting one department from certain statewide contracting requirements overseen by the DGS.

The Subcommittee may wish to ask the following:

- Will it take two year for DGS to develop new policies – is two years needed or just one for the exemption? Could language be included in the budget bill language to state that if DGS issues guidelines in the next year, the exemption for two years from the rule will no longer be valid? This would ensure that everyone is treated the same under statewide rules.
- How was the $300,000 cap for a single agreement determined?

Staff Recommendation: Hold Open

0981 California ABLE Act Board

The California Achieving a Better Life Experience Act (ABLE) Board provides eligible individuals with disabilities the opportunity to save private funds in tax-advantaged ABLE accounts for the purpose of supporting persons with disabilities to maintain their health, independence, and quality of life.

The Board consists of the State Treasurer (Chair), the Director of Finance, the Controller, the Director of Developmental Services, the Chairperson of the State Council on Developmental Disabilities, the Director of Rehabilitation, and the Chair of the State Independent Living Council.

Issue 11: Continued Administration of the California Achieving a Better Life Experience Act

The California Achieving a Better Life Experience Act Board (Board) requests budget bill language to extend the repayment date of the General Fund loans made to the California Achieving a Better Life Experience (CalABLE) through June 30, 2032. In addition, CalABLE requests a waiver of interest fees, pursuant to Government Code Section 16314.

Proposed Provisional Language

Notwithstanding Provision 1 of Item 0981-011-0001, Budget Act of 2016 (Ch. 23, Stats. 2016), Budget Act of 2017 (Chs. 14, 22, and 54, Stats. 2017), Budget Act of 2018 (Chs. 29 and 30, Stats. 2018), Budget Act of 2019 (Chs. 23,55, 80, and 363, Stats. 2019), Budget Act of 2020 (Chs. 6,7, and 40, Stats. 2020), or Item 0981-001-8101, Budget Act of 2021 (Chs. 21, 69, and 240, Stats. 2021), the loans to the California ABLE Administrative Fund shall be repaid to the General Fund when sufficient revenue is available, but no later than June 30, 2032. To the extent there is sufficient revenue, a loan repayment will be made each fiscal year based on the receipt of annual revenue. The Director of Finance may waive interest fees pursuant to subdivision (e) of Section 16314 of the Government Code.

The following table shows CalABLE's original General Fund Loan amount and initial term loans:

General Fund Loan Amounts by Fiscal Year			
Loan #	**Fiscal Year**	**Loan Amount**	**Loan Term**
#1	2016/17	$850,000	June 30, 2022
#2	2017/18	$650,000	June 30, 2022
#3	2018/19	$1,750,000	June 30, 2023
#4	2019/20	$1.070,000	June 30, 2024
#5	2020/21	$500,000	June 30, 2025
	TOTAL	**$4,820,000**	

**General Fund loans are due by June 30, 2025.*

In May 2023, the Board approved the collection of a new state administrative fee of 0.28% of account assets as a fee that is both affordable for participants while positioning the Board to repay its General Fund loans as quickly as possible. According to ISS Market Intelligence in March 2023, CalABLE was the third largest independent ABLE program in the nation with $101,011,733 in assets and 9,140 in accounts in Q1.

Panel

- Thomas Martin, Executive Director, CalABLE
- Anne Osborne, Program Manager, CalABLE
- Ginni Bella Navarre, Deputy Legislative Analyst, Legislative Analyst's Office
- Greg Bruss, Principal Program Budget Analyst, Department of Finance
- Francisco Mata, Finance Budget Analyst, Department of Finance

Staff Comments

The Subcommittee may wish to ask the following:

- CalABLE voted to provide a surcharge for accounts – how much is expected to be generated by the surcharge? When will the surcharge for account maintenance end? Is the additional 0.28 % on top of another account maintenance charge?

- For DOF, is it usual practice to exempt a General Fund Loan from paying interest?

Staff Recommendation: Hold Open

0984 CalSavers Retirement Savings Board

The CalSavers Retirement Savings Board (Board) was established by Chapter 734, Statutes of 2012 (SB 1234). Chapter 804, Statutes of 2016 (SB 1234), subsequently authorized the Board to implement the CalSavers Retirement Savings Program (CalSavers), a state-administered retirement savings program for private sector employees in California with no access to workplace retirement savings plans. The Board's mission is to ensure all Californians have a path to financial security in retirement by providing a simple, portable, low-cost way for workers to invest in their futures.

The Board consists of nine members: the State Treasurer (Chairperson), the Director of the Department of Finance, the State Controller, a retirement savings and investment expert appointed by the Senate Committee on Rules, an employee representative appointed by the Speaker of the Assembly, a small business representative appointed by the Governor, a public member appointed by the Governor, and two additional members appointed by the Governor.

Issue 12: Additional Start-Up Loan Support

The CalSavers Retirement Saving Board (Board) requests a General Fund loan of $2 million annually for 2024-25 through 2029-30 for a total of $12 million, to provide resources for the Board and the CalSavers Retirement Savings Program to continue to operate, including funding existing staff, employer compliance enforcement services through the Franchise Tax Board, external consultants, and marketing, administrative, and overhead costs.

According to CalSavers, the loan funding will support existing 13 Full-time Equivalents (FTEs), including one new analyst position as well as provide the option to expand as needed. The funding will also support operational costs and contracts with external vendors and partners, including enforcement services through the Franchise Tax Board (FTB).

The CalSavers Retirement Savings Program supports low and moderate income (LMI) workers and other historically marginalized groups. The average income of the Program's participants is approximately $25,000 per year, two-thirds are people of color, and many are first time savers or even unbanked (ownership of a bank account is not required for participation in the Program). CalSavers is leveling the playing field for these historically underserved communities by providing a simple, portable, low-fee way to save for their futures, at no cost to their employers.

The Program rollout is still underway, following legislative expansion of the program in 2022 to include employers with as few as one employee, an employer compliance deadline extension, postponement of the imposition of employer penalties for non-compliance, and slower than anticipated growth due to the COVID-19 pandemic and other factors. This loan drawdown is necessary for the continued operation of the CalSavers Program.

Status of Estimated Employers, by Wave (as of July 31, 2023)

Wave (Deadline)	Employers Registered	Employers Exempted	Total Employers Responded	Total Estimated Eligible Employers	Employer Response Rate
Wave 1 (9/30/20)	1,690	5,600	7,290	7,410	98.4%
Wave 2 (6/30/21)	3,498	6,099	9,567	10,126	94.8%
Wave 3 (6/30/22)	98,785	81,236	180,021	200,596	89.7%
Wave 2022 (12/31/22)	12,012	7,796	19,808	24,312	81.5%
Subtotal Post-Deadline Waves	115,985	100,731	216,716	242,444	89.4%
Early Action*	1,865	11,381	13,246	N/A	N/A
Total	117,850	112,112	229,962	242,444	94.9%

*Early Action refers to employers who registered or reported an exemption prior to any notification.

CalSavers' staff workload is tied to the size and growth of the Program. As additional waves of employers move through the process from 1) marketing to 2) due process enforcement to 3) penalty collection, customer service staff see increases in employer and saver inquiries. The outreach team must produce more educational material, appear at more conferences, work with more stakeholder associations, and conduct more webinars and trainings. Beginning in 2024, work will begin on Wave 4 of the Program: outreach to over 400,000 business with between 1 and 4 employees. This will be a 300% increase in employers that are currently mandated to comply with the laws requiring them to offer an auto-enrolling retirement plan for employees. The first deadline for this very large Wave is December 2025, and work will continue into 2026 and beyond to bring those that did not take appropriate action into compliance.

To date, CalSavers has received a General Fund loan of $16.9 million. According to the bill, the Board shall repay any amount appropriated, plus interest calculated at the rate earned by the Pooled Money Investment Account.

Panel

- David Teykaerts, Executive Director, CalSavers Retirement Savings Program
- Ginni Bella Navarre, Deputy Legislative Analyst, Legislative Analyst's Office
- Natalie Griswold, Staff Finance Budget Analyst, Department of Finance

Staff Comments

According to CalSavers, the program is challenged by low awareness among employers and workers. Currently, awareness-raising activity is limited to direct notification to employers and employees by mail and email; and field outreach activities with stakeholder organizations.

The Subcommittee may wish to ask the following:

- Of the $2 million, how much of the funding will be set aside for a future expansion?

- Of the current 13 positions, how many are vacant?

- How does CalSavers plan to raise awareness for the program, and how will that change moving into the future to bring more employers into the program?

Staff Recommendation: Hold Open.

This agenda and other publications are available on the Assembly Budget Committee's website at: Sub 5 Hearing Agendas | California State Assembly. You may contact the Committee at (916) 319-2099. This agenda was prepared by Genevieve Morelos.