AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4
ON STATE ADMINISTRATION

ASSEMBLYMEMBER WENDY CARRILLO, CHAIR

TUESDAY, MARCH 8, 2022

1:30 PM – STATE CAPITOL, ROOM 447

We encourage the public to provide written testimony before the hearing. Please send your written testimony to: BudgetSub4@asm.ca.gov. Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.

The public may attend this hearing in person, and it is strongly recommended that masks be worn while inside the building. This hearing can also be viewed via live stream on the Assembly's website at https://assembly.ca.gov/todayevents.

A moderated telephone line will be available to assist with public participation. The public may provide comment by calling the following toll-free number:

877-692-8957 / Access Code: 131 54 47

VOTE-ONLY CALENDAR

ITEMS TO BE HEARD

VOTE-ONLY CALENDAR

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

VOTE-ONLY ISSUE 1: WORKLOAD RESOURCES

The Governor's budget proposes $2,269,000 for 11.8 positions in 2022-23, $1,969,000 for 11.8 positions in 2023-24, and $1,678,000 for 10.3 positions in 2024-25, and ongoing to implement eight bills from 2021.

This proposal also requests in the Federal Trust Fund authority increase of $1,800,000 for seven position in 2022-23, and $1,187,000 ongoing for seven positions to support and implement AB 816 (Chapter 396, Statutes of 2021).

BACKGROUND

1. AB 68 (Quirk Silva, Chapter 341, Statutes of 2021) includes $186,000 for one position in 2022-23, and ongoing to gather and report land use actions related to housing outcomes, and to identify, plan, gather, and report recommendations to the California Statewide Housing Plan (SHP).

   SB 68 required the SHP to include an estimate of the number of affordable units needed to meet the State's housing needs. Additionally, AB 68 will require HCD to include recommendations for modernizing statutory and regulatory terminology in future SHPs, and to update cross references to relevant reports and studies. AB 68 will require HCD to publish information regarding the number of land use oversight actions HCD has taken against cities and counties in HCD's Annual Report. This reporting will complement existing HCD programs that assist local governments in housing element and housing law compliance and align with HCD's mission to promote affordable homes and sustainable communities for all residents.

2. AB 215 (Chiu, Chapter 342, Statutes of 2021) includes a General Fund augmentation of $75,000 for 0.3 Attorney IV position in 2022-23 and ongoing to complete investigations of local jurisdiction compliance with applicable housing law, and to complete work in connection with referring appropriate cases to the California Office of the Attorney General (AG) or other outside counsel.

   AB 215 adds five new areas of state housing law to HCD's existing accountability and enforcement authority under AB 72. These additional areas of state housing law include: (1) Housing Crisis Act of 2019, affirmatively furthering fair housing law, streamlined ministerial approval process law, permanent supportive housing laws, and low barrier navigation center law. HCD will undertake additional investigative and litigation referral work to encompass these areas of law. In addition, AB 215 expressly authorizes HCD take independent action to enforce state housing law if the AG declines to represent HCD in a referral.

3. AB 602 (Grayson, Chapter 347, Statutes of 2021) provides a General Fund augmentation of $680,000 for one HCD Specialist II position, one HCD Representative II position, and a $300,000 consulting contract in 2022-23, $380,000 for one HCD Specialist II position and one HCD Representative II position in 2023-24, and $190,000 for a 0.5 HCD Specialist II position and 0.5 HCD Representative II position in 2024-25 and ongoing.

   AB 602 requires local jurisdictions to conduct a nexus study with prescribed standards before implementing any fee that impacts development. AB 602 requires HCD to develop an impact fee nexus template by January 1, 2024, which local governments may use in the preparation of their nexus studies.

4. AB 787 (Gabriel, Chapter 350, Statutes of 2021) includes a General Fund augmentation of $186,000 for one HCD Specialist I position in 2022-23, and ongoing to update program and Annual Progress Report (APR) forms, provide technical assistance to local governments, and review housing elements that incorporate unit affordability conversions from market rate to deed restricted moderate-income.

   AB 787 created the ability for cities and counties to receive credit towards their regional housing need for the conversion of above moderate-income units to moderate-income units through reporting these conversions on the APR that is submitted to HCD each year. AB 787 provisions allow for unit conversions in a way that is akin to, but different from, the existing program that enables cities and counties to receive credit for conversion of units to being affordable lower-income households.

5. AB 816 (Chiu, Chapter 396, Statutes of 2021) requests a Federal Trust Fund authority increase of $1,800,000 in 2022-23 and $1,187,000 ongoing for 7.0 positions to implement increased federal funding for the National Housing Trust Fund (NHTF) program.

   AB 816 required HCD to allocation NHTF monies to projects serving individiuals experiencing homelessness, to the extent that a sufficient number of projects exist. Additionally, AB 816 authorized HCD to alter priority for funding in order to align eligibility for benefits, such as Medi-Cal, that are intended to fund services for individuals experiencing homelessness.

6. AB 1095 (Cooley, Chapter 355, Statutes of 2021): HCD requests a General Fund augmentation of $101,000 for a 0.5 HCD Specialist II two-year limited term position

in 2022-23 and 2023-24 to research, develop, and implement new homeownership funding policy in the Affordable Housing and Sustainable Communities (AHSC) program.

AB 1095 clarifies that the AHSC program can grant awards to projects that create owner-occupied housing and authorizes the program to include criteria in its guidelines for projects that provide owner-occupied housing. Homeownership grant funding has always been eligible for AHSC funding under the program's guidelines. However, such projects have rarely been proposed (only two in the current round of funding under review), and only one homeownership project has been awarded. This policy update would consider guideline modifications to include affordable housing loans in addition to grants for homeownership projects.

7. SB 63 (Stern, Chapter 382, Statutes of 2021) HCD requests General Fund augmentation of $186,000 for one HCD Specialist I in 2022-23 and ongoing to propose new building standards in high and moderate fire hazard severity zones, host meetings with stakeholders, articulate recommendations for policy changes, and assist jurisdictions to prevent the loss of affordable housing to wildfires.

8. SB 478 (Weiner, Chapter 363, Statutes of 2021) HCD requests a General Fund augmentation of $70,000 for 0.5 HCD Representative I in 2022-23 and ongoing to consult with local governments, perform audit activities, develop guidance, review programs, train staff, and refer cases to the Office of the Attorney General (AG).

   SB 478 increases HCD's enforcement authority to prohibit a local agency from imposing specified standards to housing development projects consisting of three to 10 residential units. HCD will reimburse the Department of Justice (DOJ) for litigation costs from AG referrals. The cost is estimated at $40,000 per case (assuming 200 attorney hours are required). The number of complaints received, enforcement actions taken, and violations referenced in the chart below are from logs, letters and other communications developed as part of HCD's enforcement responsibilities under the Housing Law Assistance Program (HLA).

9. SB 728 (Hertzberg, Chapter 365,Statutes of 2021) HCD requests a General Fund augmentation of $89,000 for 0.5 HCD Representative II in 2022-23 and ongoing to respond to requests for technical assistance, enforce accountability, and update guidance documents related to State Density Bonus Law (SDBL).

   SB 728 creates additional opportunities under SDBL for low and moderate-income households to become homeowners as a property would become income-restricted for 45 years instead of only for the first purchaser. HCD expects an increase in the volume in requests for technical assistance in interpreting and enforcing the changes to density bonus law.

STAFF COMMENTS

1. Resources requested for work in SB 68 is consistent with the appropriations analysis. The requested resources allow HCD to carry out the requirements of the legislation.

2. Resources requested for work in AB 215 is consistent with the appropriations analysis. The requested resources allow HCD to carry out the requirements of the legislation.

3. The resources in the BCP are consistent with the fiscal analysis for AB 602.

4. The resources in the BCP are consistent with the fiscal analysis for AB 787.

5. There is no General Fund impact for resources for AB 816.

6. There is no General Fund impact for resources for AB 1095.

7. The resources in the BCP are consistent with the fiscal analysis for SB 63.

8. The Assembly Appropriations analysis estimated 0.75 versus 0.5 position authority for the implementation SB 478.

9. No issues with the resources for SB 728.

Staff Recommendation: Approve as Budgeted.

8885 COMMISSION ON STATE MANDATES

VOTE-ONLY ISSUE 2: FUNDED AND SUSPENDED MANDATES

The Governor's proposal to fund and suspends mandates is consistent with the 2021 Budget Act with one additional mandate to be funded.

BACKGROUND

Mandates to be Funded. The budget proposes $62.9 million to fund mandates as listed in the chart below. Of this amount, $61 million is General Fund. The major change from 2021-22 to 2022-23 is the addition of $18.4 million to reimburse local agencies for costs related to Municipal Storm Water and Urban Runoff Discharges.

2022-23 Funded Local Government Mandates	Proposed Funding Levels
Accounting for Local Revenue Realignments	0
Allocation of Property Tax Revenues	624,000
California Public Records Act	0
Crime Victims' Domestic Violence Incident Reports	184,000
Custody of Minors-Child Abduction and Recovery	13,251,000
Domestic Violence Arrest Policies	9,909,000
Domestic Violence Arrests and Victims Assistance	2,368,000
Domestic Violence Treatment Services	2,237,000
Health Benefits for Survivors of Peace Officers and Firefighters	2,600,000
Local Agency Ethics	15,000
Medi-Cal Beneficiary Death Notices	8,000
Medi-Cal Eligibility of Juvenile Offenders	2,000
Peace Officer Personnel Records: Unfounded Complaints and Discovery	837,000
Rape Victim Counseling	565,000
Sexually Violent Predators	3,933,000
State Authorized Risk Assessment Tool for Sex Offenders	569,000
Threats Against Peace Officers	0
Tuberculosis Control	153,000

Unitary Countywide Tax Rates	386,000
Post Election Manual Tally	0
Sheriffs Court Security Services	0
U Visa Form 918, Victims of Crime: Non-Immigrant Status	1,386,000
Local Agency Employee Organizations, Impasse Procedures II	270,000
Peace Officer Training: Mental Health Crisis Intervention	3,310,000
Municipal Storm Water and Urban Runoff Discharges	18,442,000
Total General Fund	**$61,049,000**
Fund 0044	
Administrative License Suspension	1,805,000
Fund 0106	
Pesticide Use Reports	49,000
Totals	**$62,903,000**

Suspended Mandates. The budget proposes to suspend 56 mandates with a cost estimate of $548.9 million.

2022-23 Suspended Local Government Mandates for Governor's Budget	**August 31, 2021 Balance (AB 3000 Report)**
Absentee Ballots	49,538,762
Absentee Ballots: Tabulation by Precinct	67,700
AIDS/ Search Warrant	1,582,315
Airport Land Use Commission/Plan	0
Animal Adoption	38,210,865
Brendon Maguire	0
Conservatorship: Developmentally Disabled Adults	348,847
Coroner's Costs	221,667
Crime Statistics Reports for the Department of Justice	130,535,764
Crime Victims' Domestic Violence Incident Reports II	2,009,608
Developmentally Disabled: Attorneys' Services	1,200,934
DNA Database & Amendments to Postmortem Examinations	309,814
Domestic Violence Background Checks	11,927,294
Domestic Violence Information	0
Elder Abuse	0
Extended Commitment, Youth Authority	0
False Reports of Police Misconduct	10,085
Firearm Hearings for Discharged Inpatients	157,256
Grand Jury Proceedings	0
Interagency Child Abuse and Neglect Investigation Reports	66,442,238

Identity Theft	85,989,291
In-Home Supportive Services II	442,854
Inmate AIDS Testing	0
Judicial Proceedings	273,882
Law Enforcement Sexual Harassment	0
Local Coastal Plans	0
Mandate Reimbursement Process I	6,842,170
Mandate Reimbursement Process II	0
Mentally Disordered Offenders: Treatment as a Condition of Parole	4,909,840
Mentally Disordered Offenders' Extended Commitment Proceedings	7,221,996
Mentally Disordered Sex Offenders’	339,541
Mentally Retarded Defendants Representation	35,905
Missing Persons Report	0
Modified Primary Election	1,816,619
Not Guilty by Reason of Insanity	5,214,032
Open Meetings Act/Brown Act Reform	103,907,392
Pacific Beach Safety: Water Quality and Closures	343,927
Perinatal Services	2,251,785
Permanent Absent Voters II	11,906,707
Personal Safety Alarm Devices	(2,253)
Photographic Record of Evidence	290,594
Pocket Masks	0
Post Conviction: DNA Court Proceedings	410,230
Postmortem Examinations: Unidentified Bodies, Human Remains	5,460
Prisoner Parental Rights	0
Senior Citizens Property Tax Postponement	480,794
Sex Crime Confidentiality	0
Sex Offenders: Disclosure by Law Enforcement Officers	0
SIDS Autopsies	0
SIDS Contacts by Local Health Officers	0
SIDS Training for Firefighters	(981)
Stolen Vehicle Notification	1,116,840
Structural and Wildland Firefighter Safety Clothing and Equipment	(8,722)
Very High Fire Hazard Severity Zones	0
Voter Identification Procedures	10,075,391
Voter Registration Procedures	2,481,096
Total Suspended Mandates	**$ 548,907,539**

STAFF COMMENTS

Staff has no concerns with the list of funded and suspended mandates. These are consistent with previous years.

However, staff notes that the Municipal Storm Water and Urban Runoff Discharges may be the first in a series of mandates that will be considered by the Commission and may have additional local reimbursements costs associated with them.

Staff Recommendation: Approve the Funded and Suspended Mandates as budgeted.

VOTE-ONLY ISSUE 3: ADMINISTRATIVE STAFF FOR MANDATORY REQUIREMENTS

The Governor's budget includes an augmentation of $467,000 ongoing (General Fund) and three additional staff and one reclassified staff to perform the Commission's functions of human resources, procurement, and information technology.

Additionally, the Commission requests a one-time augmentation of $8,000 (General Fund) for portable document format (PDF) accessibility remediation software. Significant additional requirements to implement digital signature and website accessibility compliance as well as ever increasing cyber security needs necessitate this request.

BACKGROUND

In 2019, one half-time HR position was added. In 2020, another half-time HR position to augment the first half-time position and one full-time budget position was approved to perform the Commission administrative functions of budgeting, procurement, and human resources but the budget change proposal of 1.5 positions and augmentation of $206,000 did not move forward in the 2020-2021 budget because of projected revenue shortfalls and expenditure increases due to COVID-19.

In 2021, the Commission reclassified its two vacant half-time AGPA positions to a full-time Associate Budget Analyst (ABA) position, but now has no position dedicated to HR and has its staff-level procurement functions being performed by the AGPA-Accounting, the ABA, the OT, the ITS I, the Chief Legal Counsel, the Assistant Executive Director, and the Executive Director.

Currently, the Commission has 13 positions but only two of these are administrative staff-level positions: one full-time AGPA (accounting and procurement) and one full-time ABA (budgeting and procurement), the remainder of staff-level positions are program staff. Subsequently, the Commission is lacking adequate staff-level manning and expertise in Human Resources (HR), Procurement, and Information Technology support as well as the appropriate Information Technology classification for the existing ITS I.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as Budgeted.

1701 DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

VOTE- ONLY ISSUE 4: MORTGAGE LOAN ORIGINATOR LICENSING WORKLOAD

The Governor's budget requests nine positions and $1,947,000 (Financial Protection Fund) in 2022-23, and $1,847,000 in 2023-24, to manage the significant workload increase in the processing of mortgage license applications for the Department of Financial Protection and Innovation (Department) so Californians can begin working in the mortgage industry within 30 days of the Department's receipt of application.

BACKGROUND

The Department is responsible for protecting California's mortgage borrowers by securing the safety and soundness of mortgage loan origination. Any person who provides services as a mortgage loan originator (MLO) in California under the California Finance Law (CFL) or the California Residential Mortgage Lending Act (CRMLA) must apply for and receive a MLO license from the Department. The MLO licensing unit is responsible for confirming that each MLO licensee demonstrates and maintains financial responsibility, character, and general fitness such as to command the confidence of the community and to warrant a determination that the MLO will operate honestly, fairly, and efficiently. MLO licensees must update their record when any changes occur affecting initial application information and must renew their license annually as required by CRMLA and the Federal Secure and Fair Enforcement Mortgage License Act (SAFE Act).

The mortgage origination industry has experienced continued growth over the past few years. It continues to benefit from low interest rates and a stable residential market in California. As a result, the Department received an extraordinarily high number of new applications and licensees during 2020 and in the first half of calendar year 2021. The number of new applications doubled from 10,203 in 2019 to 21,860 in 2020, and is on track to triple in 2021, from 10,203 in 2019 to approximately 32,000 in 2021. The volume of work has become too large for the current MLO licensing unit.

STAFF COMMENTS

The resources in this proposal are for two years only. The Department will have to evaluate if an increase in applicants continues or not after two years and request additional resources if needed. There is no General Fund impact.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 5: DEBT COLLECTION – IDENTITY THEFT (AB 430) WORKLOAD

The Governor's budget includes an increase in expenditure authority of $596,000 (Financial Protection Fund) in 2022-23, and $558,000 in 2023-24, and ongoing, and three permanent positions to implement the provisions of AB 430 (Grayson, Chapter 265, Statutes of 2021).

BACKGROUND

Debt collection practices and abuses in California are covered under AB 1864 (Chapter 157, Statutes of 2020), the California Consumer Financial Protection Law (CCFPL), and SB 908 (Chapter 163, Statutes of 2020), the Debt Collection Licensing Act (DCLA). AB 430 modifies the identity theft documentation a consumer can provide to a debt collector under the Rosenthal Fair Debt Collection Practices Act, the identity theft law, and the Penal Code, to allow a copy of the Federal Trade Commission (FTC) identity theft report signed under penalty of perjury to be accepted in place of the police report required under current law.

Prior to collecting the debt, a debt collector must review the alleged fraudulent debt and determine if the debt is fraudulent or if the debtor has submitted a false identity theft claim. False identity theft claims are a large problem and AB 430 will help more people identify their fraudulent debt. However, this also means there will be an uptick in claims of identity theft, leading to additional complaints to the Department and additional work for program, enforcement, and consumer services. The new requirements under AB 430 will also increase the hours needed to complete the examination of a licensee.

AB 430 requires the debt collector to cease collection activities until completion of a review if it receives a copy of an FTC Identity Theft Affidavit signed under penalty of perjury and a written statement from the debtor. AB 430 prohibits a debt collector from requiring the debtor to send a copy of a police report for this purpose and instead allows the debtor to send an FTC Identity Theft Affidavit in lieu of the police report.

STAFF COMMENTS

Staff has no concerns with this proposal. There is no General Fund impact.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 6: SECURITIES TRANSACTIONS (AB 511) WORKLOAD

The Governor's budget includes two permanent positions and an increase in expenditure authority of $758,000 (Financial Protection Fund) in 2022-23, and $658,000 ongoing, to implement the provisions of AB 511 (Muratsuchi, Chapter 617, Statutes of 2021).

BACKGROUND

California has proactively protected investors since 1913 under an expansive regulatory regime, now known as the Corporate Securities Law (CSL) and accompanying regulations. The CSL requires companies to qualify securities or submit exemption notices with the Department before their offer commences in California. The Legal Division's Securities Regulation Unit reviews and analyzes applications confirming the offerings are fair, just, and equitable to Californians. It also reviews complaints and negotiates consent orders for non-compliance or refers violations involving egregious harm to the Enforcement Division. The Enforcement Division investigates compliance with the CSL and litigates administrative and civil actions against companies that fail to provide investors with material information needed to make an informed investment decision and those who engage in securities fraud. The Enforcement Division is empowered to seek ancillary relief, including, but not limited to rescission, restitution, and disgorgement on behalf of injured investors.

AB 511 created a new intrastate crowdfunding exemption for securities offerings. California's exemption allows issuers to raise more capital in reliance upon unaudited financials than the federal exemption allows. Issuers previously relying on the federal crowdfunding exemption are therefore expected to rely on California's more favorable exemption. The exemption allows issuers to raise capital from unsophisticated, unaccredited investors on the internet. The exemption has important investor safeguards in place, borrowed from the federal exemption. The Department is tasked with administering compliance with these requirements, through limiting the amount unaccredited investors may invest (a requirement for all transactions that take place through an SEC-registered intermediary), verifying filing requirements, and disqualifying bad actors.

The Legal Division is requesting 1.0 Attorney III to enable the Securities Regulation Unit to effectively enforce the provisions of the CSL that regulate and address fraud in connection with the offer and sale of securities and to meet increased workload demands anticipated from implementing AB 511. The Enforcement Division is requesting 1.0 Attorney V position to enable the Enforcement Division to effectively enforce the provisions of the CSL that regulate and address fraud in connection with the offer and sale of securities and to meet the increased workload demands of AB 511.

STAFF COMMENTS

Staff has no concerns with this proposal. There is no General Fund impact.

Staff Recommendation: Approve as Budgeted.

CALIFORNIA ACHIEVING A BETTER LIFE EXPERIENCE

VOTE-ONLY ISSUE 7: MARKETING AND OUTREACH PLAN

The Governor's budget includes $197,000 for the addition of one Associate Governmental Program Analyst (AGPA) level position and funding to support the development of a marketing, outreach, and public education program to successfully implement and grow the California Achieving a Better Life Experience ("CalABLE") Program.

BACKGROUND

The federal Achieving a Better Life Experience Act of 2014 (ABLE), allowed individuals who become blind or disabled before reaching age 26 to create tax-free savings accounts. ABLE accounts generally follow the same rules as 529s: individuals can make nondeductible cash contributions to an ABLE account in the name of a specified beneficiary, and with tax-free earnings. ABLE account distributions are also not included in the beneficiary's income if they are used for qualified services for the beneficiary and distributions do not exceed the cost of those services. The ABLE Act directs states to establish one ABLE account for each eligible beneficiary. SB 324 (Pavley), Chapter 796, Statutes of 2015, and AB 449 (Irwin) Chapter 774, Statutes of 2015, implemented the ABLE Act in California and directs the California Achieving a Better Life Experience Board to administer ABLE accounts on behalf of qualified Californians. The ABLE Act, for taxable years beginning on or after January 1, 2015, encourages and assists individuals and families to save private funds for the purpose of supporting persons with disabilities to maintain their health, independence, and quality of life by excluding from gross income distributions used for qualified disability expenses by a beneficiary of a Qualified ABLE Program established and maintained by a state, as specified.

The Budget Act of 2016 authorized the Board to receive up to $1.5 million as a General fund loan to support startup and administrative costs, including three permanent positions (Executive Director, 1 Staff Services Manager I, and an Associate Governmental Program Analyst), as well as funding for external consulting/contract services, development of regulations and program operations. The Board received an initial appropriation of $850,000 for 2016-17 and $650,000 for 2017-18. CalABLE has operated with GF loans, totaling $4.8 million since its inception. In the Budget Act of 2021, CalABLE was provided $1.2 million General Fund for program administrative operations. CalABLE's staffing level has remained the same since 2016.

The Program launched for public enrollment in December 2018. The latest report (3rd quarter of 2021) report shows 6,473 active accounts with over $60 million in assets under management. CalABLE has recently completed a marketing plan under its current budget with contractor, with the goal to achieve 17,000 accounts by 2023. Under current growth and budget assumptions, CalABLE is expected to reach self-sustainability (revenue exceeds operating expenditures) when it reaches approximately 20,500 accounts.

CalABLE does not have sufficient staffing to provide outreach and education to the disability population of the state to reach our aggressive growth targets, especially as it relates to the Spanish speaking population of the state. To continue the programs growth and reach its goal of self-sufficiency the CalABLE Board requests:

- One position at the AGPA level to allow for a Field Representative to support a broad outreach and public education campaign to target specific California and national audiences: eligible individuals with disabilities, their family members, and organizations and agencies providing disability advocacy, services, and public benefit programs, estimated at $197,000.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as Budgeted.

ITEMS TO BE HEARD

8820 COMMISSION ON STATUS OF WOMEN AND GIRLS

ISSUE 1: REGIONAL OUTREACH AND INTERDEPARTMENTAL COORDINATION

The Governor's budget includes $493,000 ongoing (General Fund) and three positions for additional outreach and coordination with state entities and regional women and girls commissions, and for daily operations of the Commission.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Holly Martinez, Executive Director, Commission on the Status of Women and Girls
- Ann Hollingshead, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
- Tim Weber, Principal Program Budget Analyst, Department of Finance

BACKGROUND

SB 1038 (Chapter 46, Statutes of 2012), establishes the Commission as an independent state agency to promote equality and justice for all women and girls of California. There are currently 30 local commissions on the status of women in California who look to the Commission for statewide policy information and subject matter expertise to support their local activities. After many years of decreasing local commissions, there is a resurgence of interest in women's commissions especially as the needs of women have grown exponentially due to loss of jobs in the workforce and other related stressors to mental health and well-being. There is an increase in demands for the Commission with requests for information, speaking, and programmatic assistance from these entities as well as other women service organizations, including nonprofits and foundations, working to meet the needs in strategic and informed ways. The Commission has been unable to fulfill the growing demand due to limited staff capacity.

(Dollars in thousands)

Program Budget	PY – 4	PY – 3	PY – 2	PY-1	PY	CY
Authorized Expenditures	525	552	505	8,516	9,651	14,708
Actual Expenditures	524	552	497	580	3,253	14,708
Authorized Positions	4.2	4.2	4.2	9.8	10.2	10.2
Filled Positions	3.4	3.2	3.5	5.1	4.0	10.0
Vacancies	0.8	1.0	0.7	4.7	6.2	0.2

The three positions will focus on the following:

1. Interagency Coordination—One Staff Services Manager I Specialist to act as an interagency coordinator on a variety of topics and coordinates with both internal and external stakeholders, conducts sensitive/confidential projects, analytical studies and surveys, formulates program alternatives, and makes recommendations for gender equity solutions to partners on behalf of the Commission.
2. External Affairs & Outreach—Two Associate Governmental Program Analyst positions to perform duties related to external affairs involving outreach and coordination with regional women and girls' commissions and local community-based organizations to identify and research opportunities for collaboration to support women and girls, generating important communication feedback loops to inform statewide programmatic and policy efforts.

STAFF COMMENTS

The Budget Act of 2021 (Senate Bill 129) established the Women's Recovery Response to provide local assistance with $5 million in one-time funds. The investment will insert structural support and resources into the network of local commissions while the California Commission continues to act as a statewide convener, facilitator, and oversight administrator. Funds will support:

- Existing local women's commissions by engaging and strengthening existing local women's commissions to ultimately inform the development of a future statewide Women's Economic Recovery Blueprint.

- Development of new local commissions at the city and county level to increase diverse representation of all women's voices throughout California.

- Increase resources for community-based organizations providing direct services to support immediate needs for women through an economic security lens that ultimately support and align with the mission of women and girl's commissions.

In total, the Commission received 621 proposals requesting nearly $63 million in funds. With $5 million available, the Commission can fund 20 percent of the applications for a total of 139 grants awards.

The Commissions states that there has been a resurgence in women's commissions to address issues that were amplified by the pandemic. According to the Brookings Institute article from October 2020, COVID-19 has also increased the pressure on working mothers, low-wage and otherwise. In a survey from May and June, one out of four women who became unemployed during the pandemic reported the job loss was due to a lack of childcare, twice the rate of men surveyed. A more recent survey shows the losses have not slowed down: between February and August mothers of children 12 years old and younger lost 2.2 million jobs compared to 870,000 jobs lost among fathers.[1]

Providing these resources to the Commission will provide additional resources to address issues facing women in our workforces and should be a high priority for the Legislature.

Staff Recommendation: Approve as Budgeted.

[1] Why has COVID-19 been especially harmful for working women? (brookings.edu)

ISSUE 2: HOUSING SPENDING OVERVIEW

The Legislative Analyst's Office will provide an overview of recent budget augmentations and implementation of those dollars at HCD. This item will provide context as the Subcommittee considers the Governor's Housing proposals under Issue 3.

Additionally, the Housing and Community Development Department will provide a high level overview of their Statewide Housing Plan and how that plan can help the Legislature understand future need.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Zach Olmstead, Chief Deputy Director, Department of Housing and Community Development
- Kris Cook, Assistant Program Budget Manager, Department of Finance

BACKGROUND

This item will discuss 2021 investments as well as previous years. The 2021 Budget Act included about $5 billion for a variety of housing investments. These investments are summarized below:

2021-22			
Affordable Housing Backlog	$1,750	One-time	HCD
Regional Planning Grants	600	One-time	HCD
State Low Income Housing Tax Credits	500	One-time	CTCAC
Foreclosure Prevention and Preservation Program	500	One-time	HCD
Student Housing and Campus Expansion	500	Temporary[b]	CCC, CSU, UC
Affordable Housing Preservation	300	One-time	HCD
Infill Infrastructure Grant Program[c]	250	One-time	HCD
Homebuyer Assistance	100	One-time	CalHFA
Accessory Dwelling Unit Financing	81	One-time	CalHFA
Farmworker Housing	50	One-time	HCD
Golden State Acquisition Fund	50	One-time	HCD
Mixed-Income Program	45	One-time	CalHFA
Scaling Excess Lands Development	45	One-time	HCD
Legal Assistance for Renters	40	Temporary[d]	Judicial Branch
Total	**$4,811**		

[a]All fund sources.

[b]The budget also authorized $750 million in 2022-23 and $750 million in 2023-24 for student housing and campus extension.

[c]The budget also reallocates $284 million in remaining Proposition 1 (2018) funds for the Infill Infrastructure Grant Program.

[d]The budget also authorized $20 million in 2022-23 and $20 million in 2023-24 for legal assistance for renters.

2022 Statewide Housing Plan. On Wednesday, March 2, 2022, the Housing and Community Development Department released its 2022 Statewide Housing Plan, *A Home for Every Californian*. The Statewide Housing Plan lays out a vision to ensure every Californian has a safe, stable and affordable home with three objectives: 1) Keep Californians in their homes; 2) Produce more affordable and climate-smart housing; and 3) Continue to act with urgency to address homelessness and housing need. The full report can be found here: A Home for Every Californian (arcgis.com).

STAFF COMMENTS

The Subcommittee may want to consider past investments when determining the direction of the State's housing funding strategy. Additionally, the Subcommittee will want to consider the following when evaluating the Governor's housing proposal:

1. Which programs are producing the most housing?
2. What programs are missing in the state housing investment strategy?
3. Should we continue to fill the same program buckets or create new programs?

Staff Recommendation: This item is presented for information only.

ISSUE 3: GOVERNOR'S HOUSING PROPOSALS

The budget proposes $2 billion in General Fund resources over two years to accelerate the development of affordable housing. This includes:

- $500 million one-time General Fund ($225 million in 2022-23, and $275 million in 2023-24) for the Infill Infrastructure Grant program.

- $300 million one-time General Fund ($75 million in 2022-23, and $225 million in 2023-24) for the Affordable Housing and Sustainable Communities program.

- $100 million one-time General Fund ($25 million in 2022-23, and $75 million in 2023-24) to expand affordable housing development and adaptive reuse opportunities on state excess land sites.

- $100 million one-time General Fund ($50 million in 2022-23, and $50 million in 2023-24) for adaptive reuse incentive grants.

- $500 million in additional Low-Income Housing Tax Credits.

- $200 million one-time General Fund ($50 million in 2022-23, and $150 million in 2023-24) for the California Housing Finance Agency Mixed Income Program.

- $200 million one-time General Fund ($50 million in 2022-23, and $150 million in 2023-24) for the Portfolio Reinvestment Program.

- $100 million one-time General Fund ($25 million in 2022-23, and $75 million in 2023-24) for HCD's Mobilehome Park Rehabilitation and Resident Ownership Program

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Zach Olmstead, Chief Deputy Director, Department of Housing and Community Development
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Kris Cook, Assistant Program Budget Manager, Department of Finance

BACKGROUND

The proposal is summarized below:

Major 2022-23 Housing Budget Proposals

(In Millions)

Proposal	2022-23	2023-24	Fund Source	State Administrator
Housing Development				
Infill Infrastructure Grant Program	$225	$275	General Fund	HCD
Affordable Housing and Sustainable Communities Program	75	225	General Fund	HCD
State Excess Sites	25	75	General Fund	HCD
Adaptive Reuse	50	50	General Fund	HCD
Affordable Housing				
State Low Income Housing Tax Credits	$500	—	General Fund	CTCAC
Mixed-Income Program	50	$150	General Fund	CalHFA
Portfolio Reinvestment Program	50	150	General Fund	HCD
Mobilehome Park Rehabilitation and Resident Ownership Program	25	75	General Fund	HCD

HCD = Housing and Community Development; CTCAC = California Tax Credit Allocation Committee; and CalHFA = California Housing and Finance Agency.

IIG. The IIG program, enacted through Chapter 179, Statutes of 2007, awards grants to provide gap funding for infrastructure that supports higher-density affordable and mixed-income housing in locations designated as infill. Under the IIG program, developers and local governments can partner to apply for infrastructure grant funding. Since 2019, the state has invested over $500 million General Fund in the IIG Program under slightly different rules as part of the IIG Program of 2019.

AHSC. The Affordable Housing and Sustainable Communities (AHSC) Program was established through enactment of Chapter 36, Statutes of 2014 (SB 862) to provide funding for land-use, housing, and transportation projects to support infill and compact development that reduces greenhouse gas (GHG) emissions through the reduction of vehicle miles traveled. Funding for the AHSC program has historically been provided from the Greenhouse Gas Reduction Fund (GGRF), established to receive cap-and-trade auction proceeds. HCD implements AHSC under policy direction from the Strategic Growth Council (SGC).

State Excess Sites. In 2019-20, the Governor issued an executive order directing the state to identify excess state properties that are suitable for affordable and mixed-income housing development. Ultimately, the Governor aimed to solicit affordable housing developers to build demonstration projects on excess state property that use creative and streamlined approaches to building (for example, using modular construction).

Adaptive Reuse. Adaptive reuse is the process of adapting and rehabilitating unutilized or under-utilized, generally commercial, buildings for housing. Adaptively repurposing these buildings can entail obstacles that can make it difficult for developers to offer the housing at affordable rents. For example, (1) these types of buildings were built to different code requirements and must be updated to residential building codes; (2) older buildings may need updating to meet seismic standards for residential occupancies, as well as remediating materials that pose environmental hazards, such as asbestos and lead-based paint; and (3) converting interior spaces of large office buildings or warehouses may be challenging since these areas are not adjacent to windows.

LIHTC. Low-Income Housing Tax Credits are state tax credits that finance the new construction of multifamily housing projects that also receive 4% federal tax credits, which also require the use of federally-limited Private Activity Bonds.

MIP. The Mixed Income Program (MIP) was created in the 2019-20 Budget to provide long-term financing for new construction of affordable multifamily developments that provide housing for Californians earning between 30% and 120% of the Area Median Income (AMI).

Portfolio Reinvestment. The Portfolio Reinvestment Program was created as part of the 2021-22 Budget to provide loans or grants, or both loans and grants, to rehabilitate, capitalize operating subsidy reserves for, and extend the long-term affordability of HCD-funded housing projects that have affordability restrictions that have expired or are otherwise at-risk for conversion from affordable to market rate.

Mobilehome Park Rehabilitation and Resident Ownership Program. MPRROP was established in 1984 to provide deferred-payment loans to mobilehome parks for 1) acquisition and conversion for resident, nonprofit, and local public entity ownership generally in return for long-term affordability; 2) mobilehome owners to purchase an interest in a mobilehome park; 3) individuals in mobilehome parks previously assisted with MPRROP to rehabilitate or replace their mobilehomes; and 4) replacement of a mobilehome park destroyed in a natural disaster. The program is funded through an annual per-mobilehome section registration fee for those mobilehomes that are not on a foundation system. As mobilehomes are installed on foundation systems and mobilehome owners voluntarily convert to property taxes, the amount of funding available diminishes each year.

LAO COMMENTS

- ***Housing Budget Package***. The Governor's 2022-23 budget proposes $2 billion General Fund one time for several major housing proposals, largely reflecting expansions of existing programs.

- ***Devote Attention to Overseeing Recent Augmentations.*** Prior to authorizing increased funding for new proposals, the LAO suggests that the Legislature dedicate the early part of the budget process to overseeing the implementation of last year's significant housing augmentations.

- ***Assess How Governor's Housing Package Moves State Forward Towards Addressing Housing Goals.*** Consider the extent to which the proposed augmentations align with the recent land use and housing policy changes the state has enacted. In addition, increased focus on where housing is built will be necessary to mitigate and adapt to the current and growing impacts of climate change.

- ***Consider Longer-Term Plan for Expanded State Role in Housing.*** Understanding the impact of recent budget augmentations and policy changes will better position the Legislature to determine where continued actions are necessary and help guide the state's long-term fiscal strategy in addressing housing development and affordability.

STAFF COMMENTS

The Governor's budget includes resources over two years which is less than the investments that were put in the budget for last year. However, since it takes time to build housing, having funding over a two year period will provide certainty for a pipeline of projects moving forward.

The Legislature will have to determine what the appropriate infrastructure and housing funding levels are. The Governor's budget appears to be conservative in the housing funding levels because it is unknown if additional federal funding will become available this year.

Regardless of federal funding, the Legislature should consider shaping its housing package based on programs that have been successful in creating more housing. The Legislature should consider investments into programs such as the Accelerator program to ensure that projects that are ready to go do not have to wait for a tax credit if that program is oversubscribed. The Legislature may want to evaluate programs and make changes to programs to make them more effective.

On specific programs within the Governor's proposal, the Subcommittee may wish to ask the following:

- Can HCD discuss which programs require Housing Element compliance to be eligible for an award? What does this mean for jurisdictions as they apply for funding programs?

- When will we run out of MHP funds? What is your plan to fund affordable housing production?

- The AHSC program has a dedicated funding stream, why invest additional funding into that program? Have AHSC funds been awarded statewide?

- The Accelerator Fund appears to have been very successful, is there any plan to replace the gap funding that program provided?

- A goal of the Legislature and the Administration has been to streamline multiple programs to make the programs more efficient to get the money out faster. The budget proposes creating a new adaptive reuse program which runs counter to that goal. Why do we need a new program?

- Last year, AB 816 required HCD to prioritize funding for the Federal Housing Trust Fund for developments for people experiencing homelessness. Is it true that the Federal budget is proposing to run that funding through HOME? Would that change your administration of the funding at all or impact your ability to prioritize the funding for developments for people experiencing homelessness?

Staff Recommendation: Hold Open.

ISSUE 4: DIVISION OF STATE FINANCIAL ASSISTANCE BUDGET ADJUSTMENTS

The Governor's budget proposes to reappropriate $22 million from the Greenhouse Gas Reduction Fund to help meet the State's goals on building affordable and sustainable housing.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Zach Olmstead, Chief Deputy Director, Department of Housing and Community Development
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Kris Cook, Assistant Program Budget Manager, Department of Finance

BACKGROUND

The AHSC program created in 2014 provides funding for land-use, housing, transportation, and land preservation projects to support infill and compact development that reduces greenhouse gas (GHG) emissions through the reduction of vehicle miles traveled and land conversion, minimizing GHG emissions by protecting land from further development. Funding for the AHSC program is provided from the Greenhouse Gas Reduction Fund (GGRF), established to receive cap-and-trade auction proceeds. HCD implements the AHSC under policy direction from the Strategic Growth Council (SGC). Funds are appropriated to SGC, and subsequently assigned to HCD to administer the program.

Only the first year of AHSC funds were appropriated through the budget in 2014. Beginning with the 2015-16 fiscal year, SB 862 continuously appropriates twenty percent of cap-and-trade auction proceeds to the Strategic Growth Council AHSC program. HCD has administered over $1.6 billion under the continuous appropriation. In recent years, the annual awards for the program have exceeded $400 million. HCD has awarded five rounds of funding, with the sixth round of awards scheduled for the first quarter of 2022.

2014 Budget Act Appropriation. The 2014 Budget Act appropriated $129,201,000 for first year loans and grants, as well as support funding, with an encumbrance and liquidation deadline of June 30, 2017. The liquidation date has been extended until June 30, 2022 through the 2018 Budget Act (Ch. 29, Statutes of 2018). For Round 1, the SGC approved $122,000,000 and 30 projects funded by the 2014 Budget Act appropriation. To date, the accomplishments of Round 1 are as follows:

Description	Number of Projects	Award Amounts	Number of Housing Units
Projects Funded	30	$121,995,460	1,991
Completed Housing Projects and Progress Payments on Grants	26	$101,506,503	1,343
Projects under Construction	8	$6,177,260	485
Projects Disencumbered	3	$14,271,696	163

The uncommitted balance of the 2014 appropriation is $16,577,952 due to cancelled projects and savings in the support budget. To ensure continued availability of these funds for housing, HCD requests an extension of the encumbering period in order to award these funds to new projects.

In addition, HCD needs an extension of the liquidation period to ensure that eight projects that are nearing completion will be able to fully disburse since current schedules of the projects indicate they will be disbursing during the six months prior to the liquidation date of June 30, 2022, estimated at about $6 million.

STAFF COMMENTS

Staff has requested information on the eight projects currently under construction and when it is anticipated that the eight projects will be complete. The subcommittee may wish to ask why it is taking so long for these projects to be completed.

Additionally, the subcommittee may wish to consider if they want to reappropriate the funding without regard to fiscal year, because the Legislature could lose oversight of these General Fund dollars. Staff notes that the GGRF funds are continuously appropriated to the AHSC program but again that fund source is GGRF and not General Fund.

Staff Recommendation: Hold Open.

ISSUE 5: REQUESTS FOR STAFFING INCREASES

The Governor's budget includes two proposals that requests a total of 28 additional positions at HCD that are not related to legislation enacted in 2021.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Zach Olmstead, Chief Deputy Director, Department of Housing and Community Development
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Kris Cook, Assistant Program Budget Manager, Department of Finance

BACKGROUND

1. ***Codes Field Operations Staffing Increase***. The budget includes an augmentation of $393,000 in state operations from the (Mobilehome-Special Occupancy Park Revolving Fund) to support three positions in 2022-23 and ongoing.

   HCD's Division of Codes and Standards (Codes) develops, administers, adopts, and enforces uniform statewide building standards to ensure the health and safety of Californians. HCD is responsible for the implementation of the Mobilehome Parks program (MP), the Mobilehome Park Maintenance program (MPM); and Special Occupancy Parks program (SOP).

   The Mobilehome Parks Act requires HCD or in some cases a city, a county, or a city and county, approved as the local enforcement agency (LEA), to enter and inspect mobilehome parks to ensure enforcement of the Act. In response to disasters within the state, the MPM program was created in 1990 to conduct detailed park health and safety inspections, and now establishes a goal for HCD or the LEAs to inspect five percent of mobilehome parks annually. The program is supported through a $4.00 per-lot fee that has remained unchanged since its creation. The Special Occupancy Parks Act regulates SOP's by requiring any person, prior to operating a SOP, to obtain a valid permit issued by the enforcement agency, as specified. All three of these programs are funded by fees collected by enforcing agencies.

   HCD's 48 field inspectors are responsible for monitoring approximately 6,251 mobilehome parks, special occupancy parks, and 399,518 park lots throughout California. Since increasing workload continues to exceed current staffing levels, inspectors prioritize their workload based on the health and safety risk to the public, the statutory obligation, and the impact to consumers. HCD inspectors must focus their time on responding to all health and safety complaints and inspect all permitted work, which leaves numerous other types of health and safety inspections incomplete.

As the economy continues to improve, more mobilehome/manufactured homeowners are performing repairs or modifications to their homes, which increases the number of permit applications and inspections required for construction/alterations. The total number of field operations assignments has increased by 22 percent from 2014-15 to 2019-20 as homeowners emerged from the recession with more money for repairs but mobilehome park conditions continued to deteriorate. However, the number of field operations staff to complete the increase in workload remains the same.

2. ***Administrative Resources***. The Department of Housing and Community Development (HCD), requests $1,570,000 in state operations from the (General Fund) for 25 positions in 2022-23, and ongoing to support the Governor’s priority of our various housing and homelessness programs. Specifically the positions:

    1. Accounting Branch - 2.0 positions - To address the increasing workload in the general ledger and accounts payable units and support ongoing financial compliance with federal and state guidelines.
    2. Business and Contract Services Branch (Contract Services) - 3.0 positions - To support HCD’s ongoing purchasing, and service and local assistance contracting needs in relation to programmatic expansion and growth.
    3. Financial Management Branch (FMB) - 6.0 positions – To effectively centralize financial management of HCD’s loan portfolio, forecasting, and ongoing reconciliation of programmatic financial data to align with reporting to the federal government and the accounting book of record (FI$Cal).
    4. Human Resources Branch (HRB) - 2.0 positions - To support HCD’s ongoing human capital business needs due to programmatic expansion and growth.
    5. Information Technology Branch (ITB) – 9.0 positions – To support the expansion and growth of HCD’s programs through the development of technological support and solutions, the maintenance of IT infrastructures, and addressing security concerns while mitigating against the risk of cyber security threats.
    6. Internal Audits - 2.0 positions - To provide independent review and analysis of HCD’s state, bond, and federal funds to ensure fiscal and programmatic compliance.
    7. Organizational Development (OD) - 1.0 position – To support HCD’s expansion and growth by developing its capacity for change and reinforce strategies to achieve operational efficiencies and promote transparency.

STAFF COMMENTS

1. The Subcommittee may ask the HCD: are three additional positions sufficient for HCD to get to the other types of inspections that are second to health and safety inspections? Or will these additional positions only concentrate on health and safety, and also address the 10 percent of mobilehome parks that have not been inspected?

2. At the end of last fiscal year, our vacancy rate was at 9 percent. HCD then added 187.5 PYs, constituting a 21 percent increase in this fiscal year. Vacancy rate currently sits at 16 percent, and HCD continues to reduce that pretty aggressively. In calendar year 2021, HCD made 451 hires. Many of these were promotional which leaves a backfill, and 187+ positions were added when the new fiscal year began, but this volume of hires demonstrates commitment to filling all positions as swiftly as possible.

Date	Position Authority	Positions Filled	Vacancy Rate
Jun-21	899.5	817.5	9%
Feb-22	1087	915	16%

Staff Recommendation: Hold Open.

ISSUE 6: CONSOLIDATED HOUSING ACCOUNTABILITY APPLICATION PROCUREMENT PROJECT

The budget includes $6,713,000 in state operations from the General Fund in 2022-23, to improve its monitoring and management of loans and grants business programs through the procurement and implementation of a new enterprise Information Technology (IT) solution.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Zach Olmstead, Chief Deputy Director, Department of Housing and Community Development
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Kris Cook, Assistant Program Budget Manager, Department of Finance

BACKGROUND

HCD oversees more than 80 programs and funding from application through closeout for construction, acquisition, rehabilitation and preservation of affordable rental and ownership housing, homeless shelters and transitional housing, public facilities, and infrastructure. The Department's overall budget has increased by 547 percent over the past four fiscal years, 57 percent of which is comprised of federal funding.

A 2018 audit by the State Auditor states that despite concerns raised in prior audits, HCD has not fulfilled its obligation to monitor its recipients' use of housing bond funds. Audit report also stated that, even though HCD had implemented the Consolidated Automated Program Enterprise System (CAPES) database, CAPES does not have the necessary functionality to accurately monitor HCD's housing bond programs. The CSA recognizes that the challenges HCD faces to appropriately monitor its housing bond programs stem, in part, from inadequacies in its CAPES system. The CAPES system was implemented in 2007 and has a limited ability to generate reports. It requires users to perform unnecessarily steps to access information, and issues with database design complicate HCD's ability to develop ad hoc reports to monitor its loans and grants, respond timely and accurately to stakeholder requests, and answer complex research questions.

According to the Department, due to the limitations inherent in the legacy systems, staff have developed and use manual data collection workarounds such as Microsoft (MS) Excel spreadsheets and MS Word documents, often maintained in desktop environment or shared files with limited access. In effect, the Department has several decentralized shadow databases, which lack a database audit trail, create multiple conflicting versions of program data, and lack necessary controls to prevent common data-keying errors from being introduced to the systems. When the Department receives requests to provide program specific information, staff must consolidate and compare multiple data sources, including data extracts from CAPES, individually maintained spreadsheets, and other documents. This manual process is prone to human error and results in data gaps that impacts everything from accurate reporting on program outcomes to financial record reconciliation and can result in audit and monitoring findings.

STAFF COMMENTS

Housing is one of the most important issues facing the State of California today. Over the past years, the State has been investing significant funding into housing programs. Ensuring that HCD has updated tools to monitor and manage loans and grants is an important step in accountability.

The Subcommittee may wish to ask how long it will take HCD to transfer its data from the legacy system to the new software solution. How will HCD ensure that data that has been using workarounds is accurately reflected in the new system?

Finally, the Subcommittee may wish to ask more about the procurement process and how HCD has secured or plans to secure SaaS Procurement.

Staff Recommendation: Hold Open.

0515 BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY

ISSUE 7: AGENCY WORKLOAD RESOURCES

The budget includes $1.5 million and seven positions in 2022-23, and ongoing to address the current and anticipated ongoing workload stemming from an increase in oversight and strategic coordination required to support existing Agency programs along with significant growth in new program responsibilities, specifically in the housing and homelessness portfolio of programs.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Melinda Grant, Undersecretary, BCSH Agency
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Andrew Hoang, Finance Budget Analyst, Department of Finance

BACKGROUND

The Business, Consumer Services, and Housing Agency was created in 2013 as part of Governor Brown's Reorganization Plan Number Two of 2012 to:

- Protect consumers by licensing and regulating California professionals and businesses.
- Preserve, expand and fund safe and affordable housing opportunities.
- Protect the civil rights of all Californians from acts of hate violence and unlawful discrimination in employment, housing, and public accommodations.

BCSH originally had nine departments under its oversight and 15 employees to manage its workload. Agency has grown to provide oversight to 11 departments and directly administers the Cal Interagency Council on Homelessness with 19 authorized positions. In addition to increases and changes in the number of organizations under Agency's umbrella, major housing and homelessness initiatives are underway and continue to be developed which have required significant additional oversight, hands-on input in crafting policy and implementation plans, and administration.

The Administration requests the following positions:

- Deputy Secretary of External Affairs (Appointee with position and funding temporarily provided by HCD)
- 1.0 Information Officer II
- 1.0 Agency Budget Manager – Staff Services Manager II (Position and funding temporarily from Cal ICH)

- 1.0 Senior Advisor (Position and funding temporarily from Cal ICH)
- 1.0 Deputy Secretary of Equity and Strategic Initiatives (Appointee with position and funding temporarily provided by DFPI)
- 1.0 Housing Policy Specialist – Staff Services Manager I
- 1.0 Office Technician Three of these positions - the Information Office II, the Housing Policy Specialist, and the Office Technician - would be new positions.

The two Deputy Secretaries, the Agency Budget Manager, and the Senior Advisor positions are currently-existing positions that have been administratively created and funded by redirecting budgetary resources from other departments. The Administration has indicated these positions have been funded by salary savings, rather than the transfer of existing positions.

STAFF COMMENTS

Compared to other agencies, BCSH has one of the smaller staff sizes compared to various statewide departments as shown below:

Figure 1: Agency Position Comparison 2021-22 Budget Act

Agency	2021-22 Total Positions*	Departments Overseen**
Business, Consumer Services and Housing	19.0	12
Labor and Workforce Development	43.0	5
Government Operations	23.0	12
Transportation	26.0	9
Health and Human Services	33.0	26

* Data from 2020-21 Salaries and Wages Supplement.
** Includes offices and programs within the agency where the agency provides oversight (Cal ICH, Office of Digital Innovation, etc.).

On homelessness alone, the Legislature has increased the workload for Agency significantly with the creation of various homeless programs. The requested resources are reasonable.

However, the subcommittee may wish to ask about the positions that were created administratively – how it was determined that those positions were needed and why the positions were not requested through the budget process in previous years?

The Statewide Housing Plan released by HCD this week states that one of the 10 year goals to addressing the affordable housing crisis is to spend our affordable housing funds "smarter, faster, and more effectively to address housing need." The Assembly has proposed legislation to create a streamlined process for aligning all funding sources across the four major funding institutions - TCAC, CDLAC, HCD, and Cal HFA – what specific actions is BCSH taking to ensure that funding is allocated in a smarter, faster and more efficient manner?

Staff Recommendation: Hold Open.

ISSUE 8: ENCAMPMENT RESOLUTION GRANTS

The budget includes $500 million one-time (General Fund), and trailer bill language, to continue the Encampment Resolution Grant Program established in the 2021 budget.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Victor Duran, Grants Director, Cal Interagency Council on Homelessness
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Chris Hill, Principal Program Budget Analyst, Department of Finance
- Brittany Thompson, Staff Finance Budget Analyst, Department of Finance

BACKGROUND

The 2021-22 budget included a $12 billion package of homelessness services and rehousing funds to expand strategies and interventions across the full continuum of homelessness services. The Cal Interagency Council on Homelessness (ICH, formerly the Homeless Coordinating and Financing Authority) received $50 million General Fund and staff resources for grants to aid in the resolution of encampments.

According to the U.S. Department of Housing and Urban Development's 2020 Point-in-Time count, an estimated 161,000 people experienced homelessness at any given moment in California, and nearly 114,000 (70 percent) of these individuals are unsheltered, meaning they were living in places not meant for human habitation. A portion of the state's unsheltered homeless population live in encampments in local parks, and along local streets and the state's highway system.

LAO COMMENTS

- ***Devote Attention to Overseeing Recent Augmentations***. We suggest the Legislature dedicate the early part of the budget process to overseeing the implementation of last year's significant homelessness augmentations. Prior to authorizing increased funding for the activities proposed in the 2022-23 budget, ensuring that the homelessness efforts authorized in prior budgets are operating effectively, adequately supported, and can be maintained over time will be important.

- ***Consider Long-Term Plan for Ongoing Homelessness Efforts.*** In recent years, the state has increased its role in addressing homelessness by providing significant, albeit one-time and temporary, funding towards infrastructure and flexible aid to local governments in recent years. However, addressing this crisis requires a complex combination of services and infrastructure. As more information about recent state efforts becomes available, we suggest the Legislature assess which types of interventions appear most effective. This information could help guide the state's long-term fiscal and policy role in addressing homelessness.

- ***For Any Authorized Funds, Set Clear Expectations and Establish Metrics to Assess Performance.*** Setting clear expectations through statute and establishing reporting requirements to facilitate oversight over the state's progress towards addressing homelessness will be critical.

STAFF COMMENTS

The first round of grants were awarded on February 24, 2022, with grants awarded to 19 communities to provide shelter or housing for a total of 1,401 individuals currently experiencing homelessness.

The following cities and counties were awarded grants:

- Santa Barbara County - $2.5 million to rehouse 200 individuals
- San Bernardino County - $1.7 million to rehouse 150 individuals
- City of Richmond - $4.8 million to rehouse 102 individuals
- City of Fresno - $5 million to rehouse 100 individuals
- City of Oakland - $4.7 million to rehouse 100 individuals
- City of San Jose - $2 million to rehouse 100 individuals
- Redwood City - $1.8 million to rehouse 70 individuals
- Santa Cruz County - $2.3 million to rehouse 65 individuals
- Orange County - $3.6 million to rehouse 60 individuals
- City of Los Angeles - $1.7 million to rehouse 60 individuals
- City of Petaluma - $1.3 million to rehouse 60 individuals
- City of Tulare - $1.5 million to rehouse 57 individuals
- City of Salinas - $4 million to rehouse 55 individuals
- City of Eureka - $1.6 million to rehouse 50 individuals
- City of Berkeley - $4.7 million to rehouse 45 individuals
- City of Long Beach - $1.3 million to rehouse 40 individuals
- City of Vista - $1.8 million to rehouse 35 individuals
- City of San Rafael - $522 thousand to rehouse 34 individuals
- Marin County - $317 thousand to rehouse 18 individual

The Subcommittee may wish to ask Cal-ICH how they plan to access the outcomes of the first round of funding and when that data will be available? Does the encampment program have the same accountability measures that were created for the HHAPP program last year? Should those outcomes be universal for all of our homelessness programs?

Staff notes that the Governor's budget also includes Homelessness investments that are part of the Department of Health Care Services' budget. This includes $1.5 billion for behavioral Health Bridge Funding. In addition to this, on Thursday, March 3, 2022, the Governor announced his CARE court program, which is new framework to get people with mental health and substance abuse disorders support and care they need through court orders and compassion. At this time there is no additional details on this program.

Staff Recommendation: Hold Open.

0968 CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

ISSUE 9: DEVELOPMENT AND COMPLIANCE SECTIONS WORKLOAD

The Governor's budget requests an increase for the California Tax Credit Allocation Committee (CTCAC) of $1,423,000 for fiscal year 2022-23 and ongoing to hire eight new staff members; six Associate Governmental Program Analyst (AGPA) positions, one Research Data Specialist I (RDS) position, and one Staff Services Manager (SSM I) (Supervisor) position to accommodate workload increases.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Nancee Robles, Executive Director, CA Tax Credit Allocation Committee
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Bronte Chan, Finance Budget Analyst, Department of Finance

BACKGROUND

The CTCAC's tax credits support/affect several State agencies. Bond allocation is required for applicants to receive tax credits. The California Debt Limit Allocation Committee (CDLAC) is the issuer of tax-exempt bond allocation, therefore affected by CTCAC. Tax Credits are a source of equity that is part of the capital stack for projects financed within the Housing Community Development (HCD) and California Housing Finance Agency (CalHFA).

CTCAC is responsible for administering the allocation of federal and state low-income housing tax credits (LIHTCs) for the development of low-income housing. Each year the amount of federal 9 percent LIHTCs allocated by the IRS is based on the product of a per capita factor and the state's population. An annual increase in federal LIHTCs available results in a higher volume of applications reviewed and thus a larger workload requirement. CTCAC is required by federal law to conduct at least three reviews of the applications during the housing development process. Due to the increase in the volume and complexity of the applications, workload has increased at each stage of review and staff have consistently been unable to complete the second of the three reviews in a timely manner. With the increase in applications beginning in 2020 and continuing, without additional staff, CTCAC staff will fall further behind in meeting its mandatory requirements resulting in delays to the project.

In addition, the CTCAC's responsibilities for compliance (over a 55 year period) grow with each additional project. In 2020-21, CTCAC had 70 authorized positions and of these 51 were filled. CTCAC notes that their ability to fill positions has been compromised by the pandemic and the need to recruit for positions that include significant travel.

Resource History
(Dollars in thousands)

Program Budget	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Authorized Expenditures	8,038	8,246	8,132	9,671	12,343	12,400
Actual Expenditures	6,692	7,183	7,316	7,811	7,925	7,800
Revenues	10,291	12,630	15,590	28,536	19,111	20,000
Authorized Positions	47.0	48.0	48.0	55.0	70.0	70.0
Filled Positions	41.4	44.9	44.7	47.1	55.9	51
Vacancies	5.6	3.1	3.3	7.9	14.1	19*

*The high number of vacancies is mainly attributed to staff transfers and difficulties in recruiting during the COVID-19 pandemic since the duty statement for Compliance staff requires at least 50% duty travel time. Positions and vacancies reflected are as of November 2021.

STAFF COMMENTS

At the writing of the BCP, CTCAC had 19 vacant positions. According to CTCAC, they have filled 10 of those positions but still have vacancies. This requests adds an additional eight positions to fill. The Subcommittee may wish to ask CTCAC to discuss the current vacant positions, are they all related to compliance staff?

Staff Recommendation: Hold Open.

0959 CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

ISSUE 10: BOND ALLOCATION PROGRAM WORKLOAD

The Governor's budget requests $1,036,000 for six permanent positions: 5 AGPAs and 1 SSM I Specialist for FY 2022-23 and ongoing to accommodate workload for the California Debt Limit Allocation Committee (CDLAC) and its support areas.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Nancee Robles, Executive Director, CA Debt Allocation Committee
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Bronte Chan, Finance Budget Analyst, Department of Finance

BACKGROUND

CDLAC was established by Chapter 943, Statutes of 1987, in response to the Federal Tax Reform Act of 1986, which placed a cap on the volume of tax-exempt private activity bonds that could be issued within a state in a calendar year. CDLAC is the sole entity responsible to calculate the volume cap pursuant to IRS guidelines and allocate tax-exempt private activity volume cap for the State of California through a variety of programs including multifamily housing, single-family housing, tax-exempt facilities, and industrial development bonds.

Tax credits attract private investment in affordable housing by offering a dollar-for-dollar credit against an investor's state or federal taxes owed. The 2019, 2020, and 2021 Budget Acts each authorized $500 million in one-time resources for low-income housing tax credits. In each year, these resources were split between both typical affordable housing projects ($300 million) and mixed-income projects ($200 million). These funds have supported what is known as the federal four percent tax credit, which historically have not been competitive - every project that sought a four-percent credit received one. Recent changes in statute have made these credits more popular. However, as currently structured, these credits must be paired with federally-limited tax-exempt bonds, which are allocated by the California Debt Limit Allocation Committee. The four percent tax credits are therefore limited by a project's ability to secure tax exempt bonds. Increasing demand for four percent credits has led to an oversubscription of tax-exempt bonds.

The oversubscription of tax-exempt federal bonds required CDLAC to develop and implement a competitive system to provide equitable distribution of Bond Allocation throughout California. To maximize the allocation of tax credits, the California Tax Credit Allocation Committee and the California Debt Limit Allocation Committee adopted regulations aimed at increasing affordable housing production, containing costs, and maximizing public subsidy and benefit of the credits. The review time needed for this new competitive process more than doubled the staff hours it takes to process requests.

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
0810	California Debt Limit Allocation Committee	7.9	14.0	20.0	$1,201	$2,409	$3,449
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**7.9**	**14.0**	**20.0**	**$1,201**	**$2,409**	**$3,449**

FUNDING		2020-21*	2021-22*	2022-23*
0169	California Debt Limit Allocation Committee Fund	$1,201	$2,409	$3,449
TOTALS, EXPENDITURES, ALL FUNDS		**$1,201**	**$2,409**	**$3,449**

STAFF COMMENTS

In 2020-21, CDLAC requested and received four permanent positions to address an increase in the Committee's workload associated with tax credit allocation increase. This request would include an additional six positions for the same work. The Subcommittee may wish to clarify with CDLAC, what exactly is creating the additional work?

Additionally, the Subcommittee may wish to ask CDLAC the following:

- Please explain the rulemaking process and why there has been so many changes recently.

- The Accelerator Fund provided gap funding for stalled affordable housing projects that could not get tax credits. How many projects could face this challenge next year and what is the plan to address any shortfalls?

- CDLAC and TCAC currently have one Executive Director for both entities, how has this created efficiencies and challenges for both entities?

Staff Recommendation: Hold Open.

0984 CALSAVERS RETIREMENT SAVINGS BOARD

ISSUE 11: FULLSCALE IMPLEMENTATION OF THE CALSAVERS RETIREMENT SAVINGS PROGRAM

The Governor's budget includes a General Fund loan of $6 million 2022-23 through approximately 2024-25 to provide resources for the Board and the CalSavers Retirement Savings Program to continue to operate, including funding for existing staff, employer compliance enforcement services through the Franchise Tax Board (FTB), external consultants, and marketing, administrative, and overhead costs.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Katie, Selenski, Executive Director, CalSavers Retirement Savings Board
- Chas Alamo, Principal Fiscal & Policy Analyst, Legislative Analyst's Office,
- Alyssa Lee, Budget Analyst, Department of Finance

BACKGROUND

The CalSavers Retirement Savings Program (CalSavers or Program) is overseen by the CalSavers Retirement Savings Board (Board) and provides a retirement savings program for private-sector workers who lack access to an employer-sponsored retirement savings plan. Employers that do not offer a qualified retirement plan, and have at least five employees are required to facilitate CalSavers for their employees by specified deadlines or face penalties for noncompliance. The Program is voluntary for employees, but is operated on an automatic enrollment opt-out basis.

Chapter 734, Statutes of 2012 (SB 1234) and Chapter 737, Statutes of 2012 (SB 923) established the Board for evaluating the financial and legal feasibility of the Program. The Board retained Overture Financial LLC (Overture) to complete a Market Analysis and Feasibility Study, and submitted a final report to the Legislature in March 2016, paving the way for legislative approval in September 2016.

Loan Funding and Revenue. This proposal requests an additional $6 million in loan funding beyond the initial $16,900,000 that has been drawn to-date (as shown in the table below).

Loan History

Transfer Date	Loan Amount	Repayment Due
11/22/16	$1,900,000	6/30/2024
09/06/17	$804,000	6/30/2024
06/04/18	$14,196,000	6/30/2024
TOTAL	**$16,900,000**	

Approximately $8 million of loan funding has been spent through June 30, 2021, with approximately $9 million fund balance remaining at the beginning of 2021-22. Expenditures are expected to be just under $2.6 million in 2021-22 and $5.1 million in 2022-23. Based on projected revenue, the Board is expected to ask for a postponement of the loan repayment date beyond June 30, 2024 in the future, in addition to new loan funding to support the ongoing rollout and scaling-up of the Program through this BCP.

Budget Bill Language. CalSavers is also requesting Budget Bill language to allow for reassessment in the future should Wave 3 registration numbers meet the projection, and CalSavers and Finance determine that additional staff are needed at that time. CalSavers may need up to three additional full-time equivalent positions based on Wave 3 projections.

Due to the structure and mechanics of the Program, Program growth is driven largely by employer deadlines. Employees may not enroll and begin saving until their employer has (1) registered, (2) uploaded their roster thereby enabling the Program to conduct the enrollment period, and (3) started facilitating payroll deductions and remitting contributions to the Program. Since more than 90 percent of employer volume is subject to the third and final compliance deadline on June 30, 2022, dramatic growth of employer onboarding activity, employee enrollment activity, funded accounts, and assets is expected in the summer and fall of 2022, along with increased needs for customer service, outreach, and education.

STAFF COMMENTS

The Subcommittee may wish to clarify with CalSavers if Wave 3 were to meet the projections, would additional funding be needed to cover the three positions that would be requested through the Budget bill language or will the $6 million request cover those positions?

The loan repayment day is set for June 30, 2024; the Subcommittee may wish to ask CalSavers what do they anticipate will be the new repayment date?

Staff Recommendation: Hold Open.

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

ISSUE 12: ADMINISTRATIVE RESOURCES

The Governor's budget includes $1.3 million (General Fund) and seven positions in 2022-23, and $836,000 (General Fund) and seven positions in 2023-24, and ongoing, to provide additional resources to support DFEH's administrative workload, including appeals, public records requests, media outreach, contracts and procurement, and accounting processes, and help administer a Statewide Hate Crime Hotline.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Mike Miller, Deputy Director, Administrative Services, Department of Fair Employment and Housing
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Kris Cook, Assistant Program Budget Manager, Department of Finance

BACKGROUND

DFEH receives, investigates, conciliates, mediates, and prosecutes complaints of alleged violations of the Fair Employment and Housing Act (FEHA), the Equal Pay Act, the Unruh Civil Rights Act, the Ralph Civil Rights Act, Civil Code section 51.9, the Disabled Persons Act, the California Trafficking Victims Protection Act, and Government Code section 11135 et seq (prohibiting discrimination in all State-funded activities and programs). DFEH also collects and analyzes pay and demographic data from large employers pursuant to Government Code section 12999. DFEH affirmatively investigates discriminatory practices within the State in accordance with its statutory mandate "to eliminate discrimination in California."

In 2020, DFEH received 23,897 complaints from members of the public who alleged that their civil rights were violated. Of these, 13,707 were requests for an immediate "Right-to-Sue" in employment cases. 5,784 complaints were investigated by DFEH staff. As of January 2022 there were more than 7,235 open cases in DFEH's case management system pending investigation.

SB 170 (Committee on Budget and Fiscal Review, Chapter 240, Budget Act of 2021), appropriated $10 million to DFEH for the administration and implementation of a Statewide Hate Crime Hotline, with funds available for encumbrance and expenditure until June 30, 2025.

STAFF COMMENTS

DFEH's request for additional resources is based on staffing needs in DFEH's Executive Programs and Administrative Services Divisions to support the recent expansion of the department. DFEH has expanded significantly in the past two fiscal years, with a 29 percent increase in staffing. Despite this large increase in workforce, the administrative functions within DFEH have not been expanded to match. As such, additional resources seem reasonable.

Staff Recommendation: Hold Open.

ISSUE 13: PAY DATA ENFORCEMENT

The budget includes $716,000 (General Fund) and three positions in 2022-23, and $689,000 (General Fund) and three positions in 2023-24, and ongoing, to analyze pay equity data and produce reports on an ongoing basis by industry showing the progress, or lack thereof, in demographic representation and gender pay equity.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Mike Miller, Deputy Director, Administrative Services, Department of Fair Employment and Housing
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Kris Cook, Assistant Program Budget Manager, Department of Finance

BACKGROUND

The Department of Fair Employment and Housing (DFEH) receives, investigates, conciliates, mediates, and prosecutes complaints of alleged violations of the Fair Employment and Housing Act (FEHA), the Equal Pay Act, the Unruh Civil Rights Act, the Ralph Civil Rights Act, Civil Code section 51.9, the Disabled Persons Act, the California Trafficking Victims Protection Act, and Government Code section 11135 et seq (prohibiting discrimination in all state-funded activities and programs).

Government Code section 12999 was established by SB 973 (Jackson, Chapter 363, Statutes of 2020). This law requires that, on or before March 31, 2021, and on or before March 31 each year thereafter, a private employer with 100 or more employees and who is required to file an annual Employer Information Report (EEO-1 form) under federal law to the Equal Employment Opportunity Commission (EEOC) must submit a pay data report to DFEH that covers the prior calendar year, or "reporting year." All California employers with over 100 employees will be subject to this law. The law also authorizes DFEH to enforce the Equal Pay Act (Labor Code section 1197.5), along with the Fair Employment and Housing Act, to address pay discrimination.

The requested resources would include a labor economist, research scientist and digital forensic specialist.

STAFF COMMENTS

The requested resources are an augmentation to those provided for the implementation of SB 973. Specifically, DFEH received approval for four positions and funding for IT infrastructure costs to develop and implement an online portal to accept employer pay data.

Staff Recommendation: Hold Open.

1701 DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

ISSUE 14: FINANCIAL ABUSE OF ELDERS OF DEPENDENT ADULTS WORKLOAD

The Governor's budget requests two positions and an increase in expenditure authority of $531,000 (Financial Protection Fund) in 2022-23, and $470,000 in 2023-24, and ongoing, for the Department of Financial Protection and Innovation to address increased workload related to mandatory reports of known or suspected financial abuse of elders or dependent adults.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- April Levens, Chief, Fiscal Management Office, Department of Financial Protection and Innovation
- Jessica Peters, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Andrew Hoang, Finance Budget Analyst, Department of Finance

BACKGROUND

The Department's Broker-Dealer/Investment Adviser (BDIA) Program licenses and regulates broker-dealers (BD), broker-dealer agents, investment advisers (IA), and investment adviser representatives, pursuant to the Corporate Securities Law of 1968. Regulatory oversight makes certain the investing public is protected from unethical and fraudulent activities and California's financial market is secure, fair, and transparent. Regulatory oversight is achieved by performing detailed licensing reviews, conducting regulatory examinations of the licensee population, and reviewing complaints and reports filed with the Department.

As the financial industry has evolved over time, the BDIA Program has faced increased workload to identify and address misconduct and unprecedented challenges to protect investors. Protecting seniors, dependent adults, and investors from financial exploitation is a primary focus of the Department. As the number of complaints and reports of suspected financial abuse have increased, additional staff are needed to work on these mandatory reports and to protect and advocate for investors in California.

Two pieces of legislation recently signed into law have driven these workload increases: SB 496 (Moorloch, Chapter 272, Statutes of 2019), which outlines the responsibilities of the Department in the handling of mandatory reports of known or suspected financial elder abuse, and AB 636 (Maienschein, Chapter 621, Statutes of 2021, which outlines additional steps that the Department must take to share information and collaborate with outside agencies.

STAFF COMMENTS

The Department notes that workload associated with these law changes has been significantly more than originally expected. The Subcommittee may wish to ask the Department why AB 636 did not include a fiscal cost to the bill if the Department knew that SB 496 was already incurring costs. Also the Subcommittee may wish to ask the Department what costs they did not anticipate with SB 496. The fiscal analysis had these costs as minor and absorbable.

Staff Recommendation: Hold Open.

1701 DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

ISSUE 15: CALIFORNIA PUBLIC BANKING OPTION ACT (AB 1177) WORKLOAD

The Governor's Budget includes an increase in expenditure authority of $283,000 (Financial Protection Fund) in fiscal year 2022-23, $273,000 in 2023-24, and 1.0 Attorney III position, to implement the provisions of AB 1177 (Santiago, Chapter 451, Statutes of 2021).

PANEL

The following individuals will participate virtually in the discussion of this issue:

- April Levens, Chief, Fiscal Management Office, Department of Financial Protection and Innovation
- Jessica Peters, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Andrew Hoang, Finance Budget Analyst, Department of Finance

BACKGROUND

AB 1177 established the CalAccount Blue Ribbon Commission (Commission) to contract with a vendor to conduct a study of a CalAccount Program (Program) to offer unbanked and underbanked Californians free federally insured transaction accounts. The new law requires the State Treasurer to convene the Commission on or before September 1, 2022, composed of nine individuals, including the DFPI Commissioner or their designee.

AB 1177 requires the Commission to deliver the market analysis to the Chair of the Senate Committee on Banking and Financial Institutions and the Chair of the Assembly Committee on Banking and Finance by July 1, 2024. The California Public Banking Option Act only becomes operative upon appropriation by the Legislature, and the Program will only get implemented if the Legislature approves it after seeing the results of the market analysis.

While AB 1177 does not have a direct impact on DFPI's operations, the DFPI Commissioner, or that person's designee, will need to spend considerable time on the Commission, at board meetings, gathering and consolidating information from Department and stakeholder experts, and reviewing and analyzing market analysis data and results. DFPI requests 1.0 Attorney III to act as the Commissioner's aid and, if needed, designee.

STAFF COMMENTS

Staff is concerned that no resources were requested by the Treasurer's Office to implement this bill consistent with the fiscal analysis.

Additionally, the Subcommittee may wish to ask why the DFPI is requesting an attorney position to do the workload associated with AB 1177.

There is no General Fund impact.

Staff Recommendation: Hold Open.

**** PUBLIC COMMENT ****