AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION

ASSEMBLYMEMBER WENDY CARRILLO, CHAIR

TUESDAY, MARCH 9, 2021

1:30 P.M. - STATE CAPITOL, ROOM 437

Due to the ongoing COVID-19 safety considerations, including guidance on physical distancing, seating for this hearing will be very limited for the press and for the public. All are encouraged to watch the hearing from its live stream on the Assembly's website at https://assembly.ca.gov/todayevents.

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.

*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 37**.*

ITEMS TO BE HEARD

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2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

ISSUE 1: GOVERNOR'S HOMELESSNESS PROPOSAL

The Governor's budget proposes $1.75 billion one-time General Fund for three major proposals related to homelessness.

(In Millions)

Proposal	2020-21[a]	2021-22	Funding Type	State Administrator
Increased Funding for Homekey Program	$250	$500	One time	HCD
Support for Residential Facilities Serving Vulnerable Adults and Seniors	—	250	One time	DSS
Support for Behavioral Health Infrastructure	—	750	One time	DHCS

[a] The Governor's budget requests early action to authorize funding in the budget year.

HCD = Housing and Community Development Department; DSS = Department of Social Services; and DHCS = Department of Health Care Services.

This item will focus on the Homekey program. Subcommittee 1 will focus on both the support for residential facilities serving vulnerable adults and seniors, and support for behavior health infrastructure.

The budget includes $750 million (General Fund) resources to continue the Homekey Program administered through HCD. Of the $750 million, the Governor requests early action from the Legislature to authorize $250 million in 2020-21. This proposal also includes trailer bill language to continue and expand the program, including certain environmental exemptions.

PANEL

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

- Zachary Olmstead, Chief Deputy Director, HCD
- Chris Hill, Department of Finance
- Lourdes Morales, Legislative Analyst's Office

BACKGROUND

At the outset of the COVID-19 public health emergency, the state provided $50 million General Fund (later offset by federal funds) for the newly established Project Roomkey to help local governments lease hotels and motels to provide immediate housing to vulnerable individuals experiencing homelessness that were at risk of contracting COVID-19. In November 2020, the state authorized an additional $62 million in one-time funding from its Disaster Response Emergency Operations Account to continue operating the program while transitioning people to permanent housing. The program is administered by Department of Social Services (DSS). The funding has been nearly fully awarded. Statewide, 14,000 rooms are secured by Roomkey and 70 percent are occupied. Overall, the program has provided short-term housing for 23,000 people in 42 counties.

Building off Project Roomkey, the 2020-21 budget and subsequent action allocated $800 million in one-time funding for the newly established Homekey Program. The program provides for the acquisition of hotels, motels, residential care facilities, and other housing that can be converted and rehabilitated to provide permanent housing for persons experiencing homelessness or at risk of homelessness, and who also are impacted by COVID-19. Homekey provides grants to local governments to acquire these properties, which are owned and operated at the local level.

To promote equitable access to Homekey funding, the program divided the state into eight regions and reserved funding for applicants in each region during the initial priority application period. Each region's share of the Homekey funding was based on its statewide share of (1) persons experiencing homelessness and (2) low-income renter households that are rent burdened. The program also provides some exemptions to the California Environmental Quality Act (CEQA) and local zoning restrictions to expedite the acquisition of Homekey sites. Unlike Project Roomkey, this program is administered by HCD.

LAO COMMENTS

Is the Proposal Time Sensitive? The administration proposes providing $250 million to expand Project Homekey in early action. We suggest the Legislature consider whether early action is advantageous. The Legislature has already provided $800 million towards Homekey in 2020-21. Would early state action provide substantial additional benefits? Does the Administration have a list of properties ready for purchase and renovation? Would early action allow individuals experiencing homelessness to move in earlier than they otherwise would?

How Would HCD Evaluate Applications for Grant Funding? The vast majority of the Homekey funding provided in 2020-21 was federal funding. HCD worked quickly to award grants for acquisitions and rehabilitations of properties that could be completed within the tight federal deadline for expenditure of funds. Although the federal deadline was later extended, the state prioritized projects that could be completed quickly when awarding funding through the Homekey Program. Under the Governor's proposal, the state would no longer be under strict federal expenditure deadlines. HCD could give other criteria more weight when evaluating applications for Homekey. For example, HCD could consider applicants' broader plans to address homelessness in their communities.

How Would Local Governments Fund Ongoing Costs Not Included in Proposal? Funding for this proposal is intended to be provided on a one-time basis. Accordingly, local entities would be responsible for funding the ongoing costs associated with maintaining the acquired properties and providing any associated services to occupants. Local entities' capacity to fund such new ongoing costs is unclear and calls into question the state's ability to preserve these units in the long term.

How Would HCD Assess Success and Inform the Legislature of Needed Changes to Homekey Program? The Administration is proposing expanding the Homekey Program without first assessing the successes and challenges associated with the initial $800 million allocation provided in 2021-22. For example, Project Roomkey has experienced low occupancy rates among leased units. The Administration should address how it plans to ensure units purchased through Homekey are effectively utilized. Understanding where Homekey has been successful and where it has faced obstacles will be important if it becomes a cornerstone of the state's approach on homelessness.

How Would Funding for Acquisition of New Facilities Interact With Other Funding for Similar Purposes? All three of the major homelessness proposals in the Governor's budget focus on the acquisition of new facilities. How this funding would be coordinated with the other proposed efforts to reduce homelessness is unclear. Understanding how these resources would be coordinated would help ensure resources are used efficiently.

STAFF COMMENTS

The Administration has indicated that the appropriated funding has been fully disbursed through 94 awards to local entities (some entities acquired more than one site). The administration indicates that the existing Homekey funding will create over 6,000 housing units for individuals and families. The average statewide cost to the Homekey Program per housing unit is $124,000 and the average local match is $24,000, making the average total cost per unit $148,000.

In the short term, Project Homekey has been successful in acquiring units to be rehabilitated and converted as supportive housing. HCD also has successfully implemented this program in a very short window of time. The state has made an investment in this program. The long term success of the program is dependent on additional funding for ongoing operating subsidies and the conversion of these properties to permanent supportive housing.

The Subcommittee may wish to ask HCD the following:

Roomkey

1. Is the state requiring locals to identify permanent housing for Roomkey residents?

2. Are local governments receiving reimbursements from FEMA? How much has been reimbursed? How much is outstanding?

Homekey

3. What is the Administration's long-term strategy for Project Homekey developments?

4. Homekey provided two years of capitalized reserves. What is the cost to capitalize the reserves for 55 years of the already purchased Homekey developments?

5. How many of the purchased Homekey projects require rehab (adding a kitchenette or general rehab? How much will the rehab cost and how will it be funded?

6. Previous one-time funding allocations included set asides for youth. How were youth served through Project Homekey?

Staff Recommendation: This issue reflects a major policy proposal that may require the Subcommittee revisit it at a later time.

ISSUE 2: INFILL INFRASTRUCTURE GRANT PROGRAM

The Governor's budget includes $500 million for the Infill Infrastructure Grant (IIG) Program. This includes $250 million in current year resources and $250 million (General Fund) in 2021-22 to support grants for remediation of brownfields through the IIG Program of 2007. This proposal includes trailer bill language to authorize grants for this use be offered on an over-the-counter basis with a specific definition of qualifying infill area and project in counties with a population of under 250,000.

PANEL

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

- Jennifer Seeger, Deputy Director for Financial Assistance, State Programs, HCD
- Dana Cruz, Staff Finance Budget Analyst, Department of Finance,
- Lourdes Morales, Legislative Analyst's Office

BACKGROUND

The IIG Program was created in 2007 within HCD to provide funding for infrastructure that supports higher-density affordable and mixed-income housing in locations designated as infill. Under the program, developers and local governments can partner to apply for infrastructure funding, including the development or rehabilitation of parks or open space; water, sewer, or other utility service improvements; streets; roads; sidewalks; and environmental remediation. Originally, bond funding was provided for the program through the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) and the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1).

The 2019 Budget Act included $500 million to fund infrastructure to support development of housing in infill areas. Modeled after the IIG Program of 2007, IIG Program of 2019 expanded the opportunity for small jurisdictions (counties with populations of less than 250,000) to obtain funding. It also relaxed some readiness requirements and allocated $90 million for small jurisdictions to encourage the construction of infrastructure and incentivize housing in communities of all sizes. However, $200 million of this funding was reverted to the General Fund during the COVID-19 related economic downturn.

LAO COMMENTS

The LAO questions whether the proposal is time sensitive. The administration proposes providing $250 million for the IIG Program in early action. The LAO suggests the Legislature consider whether early action is advantageous. Previously authorized bond funding from Proposition 1 (2018) provides $160 million for IIG in 2020-21. Would early state action provide substantial additional benefits? Does the administration have a list local entities ready to participate in the program? Would early action allow housing development projects to move forward that otherwise would not?

STAFF COMMENTS

The Governor’s budget includes early action for $250 million of the proposal to be paired with $160 million for IIG (Prop. 1) in 2020-21. Additionally, the trailer bill proposes changes to the $250 million proposed for the 2021-22 budget year. The trailer bill would prioritize brownfield and environmental remediation, allow HCD to administer the program in an over-the-counter manner, and make changes to project eligibility rules to allow smaller jurisdictions to more easily compete for funding.

The Subcommittee may wish to ask HCD the following:

1. Why does HCD focus on the remediation of brownfields? How will this produce more housing?

2. Should the remediation of brownfields be the focus of the IIG program moving forward?
3. How does the set aside for small jurisdictions work? Is it the same as the set aside in the 2019 IIG program? Or is it a set aside for brownfields in small jurisdictions?

4. Can HCD provide a breakdown of the 2019 budget allocation? How many housing units did we get from the last budget allocation?

Staff Recommendation: This issue reflects a major policy proposal that may require the Subcommittee revisit it at a later time.

ISSUE 3: HOUSING LAW ASSISTANCE

The Governor's budget includes $4.3 million (General Fund) in state operations and 16 positions, $3.8 million in state operations for 16 positions in 2022-23, and ongoing to assist local governments in housing element and housing law compliance.

PANEL

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

- Megan Kirkeby, Deputy Director for Housing Policy Development, HCD
- Dana Cruz, Staff Finance Budget Analyst, Department of Finance
- Lourdes Morales, Legislative Analyst's Office

BACKGROUND

In 2017, several bills were enacted, including AB 72 (Chapter 370, Statutes of 2017) which clarified and strengthened existing laws, and increased HCD's accountability and enforcement authority to review any action or inaction by a local government that HCD determines is inconsistent with state housing element laws or the local jurisdiction's own adopted housing element. During its review, HCD may consult with any local government, agency, group, or person. HCD may revoke housing element compliance if the local government's actions do not align with state law. Further, HCD may notify the California Office of the Attorney General (AG) that the local jurisdiction is in violation for non-compliance with: 1) housing element law, 2) the Housing Accountability Act, 3) "no net loss" law, 4) density bonus law and/or 5) anti-discrimination law.

HCD's enforcement work is broken into two broad categories. The first category is housing element compliance which consists of reviewing actions a city must take in order to obtain or maintain compliance. The second category is development-related complaints.

AB 72 Workload History

Workload Measure	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Development-Related (DR) Complaints						
DR Complaints Received	-	-	-	54	60	80
DR Enforcement Actions Taken	-	-	-	10	32	40
DR Violations Referred to AG	-	-	-	0	0	1
Proactive Housing Element (HE) Compliance Review						
Proactive Compliance Sweeps (by topic)	-	-	-	2	1	1
HE Cases Reviewed	-	-	-	7	9	5
HE Cases Enforcement Actions Taken	-	-	-	3	5	1
HE Violations Referred to AG	-	-	-	1	1	0

According to HCD, as housing developers learn that HCD can assist them (within the limits of state law) with delays they are facing in local government processing, HCD expects significant growth in complaints and requests for assistance. Identifying the requests that are within HCD's authority to address versus those that are not, is a significant workload increase for HCD staff. Further investigation and analysis of each verified request must be done.

Program components:

- This proposal would create a unit within the Division of Housing Policy Development to oversee all assistance and proactive enforcement work tied to Housing Element Law. The Legislature previously authorized one Attorney IV position to enforce AB 72. However, the volume of non-compliance and complaints and enforcement responsibilities is continuing to grow at a steady rate. The new unit would consist of 12 positions.

- Additionally, includes four positions in the Legal Affairs division to support and guide the Housing Policy Development.
- This proposal includes $600,000 in 2021-22 and $350,000 ongoing for outreach and education for local government elected officials, local government planning staff and housing developers. This also includes funding for the vendor to analyze bulk data collected through analytical software and to set up systems to increase HCD's transparency as part of a future request.

LAO COMMENTS

The LAO provides the following issues for legislative consideration:

1. What are HCD's current practices related to oversight and enforcement of State Housing Law? How have current oversight and enforcement practices at HCD been informed by lesion learned over why local governments have failed to adequately permit and build housing?

2. Would the resources proposed by the Governor provide additional capacity to continue HCD's existing practices or would the type of assistance, monitoring, and enforcement mechanisms pursed by HCD differ substantially under the budget proposal?

3. How will HCD prioritize assistance and enforcement resources?

4. Would HCD develop consistent standards for determining whether a local jurisdiction's noncompliance with state housing law merits elevation to the Attorney General?

STAFF COMMENTS

The Subcommittee may wish to ask HCD how they will balance technical assistance with enforcement. These appear to be two different approaches to helping local governments comply with their housing elements.

Will HCD issues regulations to provide the clarity to the program? How does this program build in legislative oversight?

Staff Recommendation: This issue reflects a major policy proposal that may require the Subcommittee revisit it at a later time.

ISSUE 4: ONE-TIME ALLOCATION FOR DEFERRED MAINTENANCE

The Governor's budget includes $10 million (General Fund) in 2021-22 for deferred maintenance and repairs to address critical deficiencies at Office of Migrant Services (OMS) housing centers throughout the state.

PANEL

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

- Lindy Suggs, Branch Chief, Asset Management & Compliance, HCD
- Dana Cruz, Staff Finance Budget Analyst, Department of Finance,
- Lourdes Morales, Legislative Analyst's Office

BACKGROUND

HCD administers the OMS program, which operates 24 migrant centers with 1,885 housing units and provides housing-related services to more than 11,000 migratory farmworkers and their families. Most of the centers include apartments of between two and four bedrooms per household. While HCD contracts with local housing authorities or nonprofit organizations to operate the centers, HCD is ultimately responsible for repair and maintenance.

In 2018, HCD hired a consultant to complete a physical needs assessment for each of the centers. The physical needs assessments identified $10.1 million of critical needs recommended for completion within a year, $14.8 million in additional repairs, and the need for an on-going commitment of funds for maintenance to prevent an increase in the backlog of repairs.

The $10 million being requested will allow HCD to complete the most urgent repair projects, such as sewer and wastewater rehabilitation, replacement of roofs and siding to prevent water penetration, ADA remediation, and other significant deferred maintenance needs. These repairs will help to preserve 1,885 housing units for a modest investment of $5,305 per housing unit, compared to the high cost of constructing new housing.

Timeline. HCD will direct center operators to procure contractors for the highest priority rehabilitation needs. The majority of projects are expected to be under contract in 2021-22 with draws for completed work occurring between 2021-22 and 2022-23. HCD will prioritize small contracts at the beginning of 2021-22 for the less complex projects and for initial architectural or engineering work for complex projects. For complex projects requiring architectural or engineering work and/or permitting, the construction contracts may be executed later with work occurring throughout 2023-24.

Past investments:

- $11 million in Proposition 1C (Chapter 28, Statutes of 2014) funds for OMS.
- $3.5 million (General Fund) in the 2015 Budget Act.
- $1.5 million (General Fund) in the 2019 Budget Act.

#	OMS Migrant Family Housing Centers	Cities	Counties	Housing Units
1	Arturo Ochoa Migrant Center	Gilroy	Santa Clara	100
2	Joseph Artesi II Migrant Center	French Camp	San Joaquin	95
3	Joseph Artesi III Migrant Center	French Camp	San Joaquin	95
4	Arvin Migrant Center	Bakersfield	Kern	88
5	Atwater Migrant Center	Atwater	Merced	59
6	Buena Vista Migrant Center	Watsonville	Santa Cruz	103
7	Davis Migrant Center	Dixon	Yolo	62
8	F.H.Rehman Migrant Center	Dixon	Yolo	82
9	Empire Migrant Center	Empire	Stanislaus	92
10	Harney Lane Migrant Center	Lodi	San Joaquin	94
11	Hollister Migrant Center	Hollister	San Benito	67
12	King City Migrant Center	King City	Monterey	79
13	Rafael Silva Migrant Center	Los Baños	Merced	48
14	Madison Migrant Center	Madison	Yolo	88
15	Merced Migrant Center	Merced	Merced	49
16	Newell Migrant Center	Tulelake	Modoc	53
17	Parlier Migrant Center	Parlier	Fresno	130
18	Patterson Migrant Center	Patterson	Stanislaus	40
19	Felix Torres Migrant Center	Planada	Merced	62
20	Pomona Ranch Migrant Center	Madera	Madera	50
21	North Shafter Migrant Center	Shafter	Kern	88
22	Westley Migrant Center	Westley	Stanislaus	83
23	Williams Migrant Center	Williams	Colusa	100
24	Yuba City Migrant Center	Yuba City	Sutter	78
			Total	**1885**

LAO COMMENTS

The LAO asks three key questions with regard to the deferred maintenance projects:

1. How is OMS prioritizing deferred maintenance?
2. How would the Legislature provide oversight of the deferred maintenance projects?
3. What is the plan to address deferred maintenance backlog and prevent accumulation of additional backlog?

STAFF COMMENTS

The Subcommittee may wish to ask OMS why they are only focusing on the most urgent repairs? What additional resources would be needed to address all of the deferred maintenance?

Staff Recommendation: Support funding for deferred maintenance projects but request more information about whether additional funding is needed.

ISSUE 5: HOUSING ON EXCESS STATE LANDS

The budget includes trailer bill language that makes a number of changes to state law to allow increased flexibility for the development of housing on state excess lands.

PANEL

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

- Megan Kirkeby, Deputy Director for Housing Policy Development, HCD
- Dana Cruz, Staff Finance Budget Analyst, Department of Finance
- Lourdes Morales, Legislative Analyst's Office

BACKGROUND

In 2019, Governor Newsom issued an executive order requiring the Department of General Services (DGS) and Department of Housing and Community Development (HCD) to identify viable state excess land for affordable housing development. Since then, the state has solicited developers to build affordable housing using innovative, creative, and streamlined development.

Trailer Bill Summary

Specifically, the proposed trailer provides flexibility and greater financial feasibility of affordable housing on excess sites, and permits:

- Commercial development necessary for the successful delivery of affordable housing

- Market-rate development with a floor of 20 percent affordable units when taking into account economic feasibility and site locations

- Phased developments necessary for affordable housing and when it is in the best interest of the state

Additionally, the trailer bill language permits HCD to sell property to a nonprofit or housing authority with a 30-day notification to the Joint Legislative Budget Committee outlining how a sale is in the best interest of the state.

Lastly, the trailer bill language requires HCD to focus on maximizing affordable units.

STAFF COMMENTS

Currently, three projects are underway in Sacramento, Stockton and South Lake Tahoe, and the state has an additional nine sites in the pipeline in the coming calendar year. The Administration has indicated that the proposed trailer bill language is intended to encourage additional innovative development, including authorizing market-rate and commercial development that will provide flexibility and financial feasibility to subsidize fair and affordable housing production on excess lands.

The Subcommittee may wish to ask HCD and DGS the following:

- Please provide an update about the location of future projects, are they spread throughout the state?
- How many additional units will the current three projects create?
- How does HCD and DGS decide on a future project?
- How is the State partnering with local governments on these projects?

Staff Recommendation: This issue reflects a policy proposal that may require the Subcommittee revisit it at a later time.

ISSUE 6: OTHER HCD BUDGET PROPOSALS

This item summarizes two BCPs related to the Infill Infrastructure Grant Program of 2019 and workload resources.

PANEL

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

- Zachary Olmstead, Chief Deputy Director, HCD
- Dana Cruz, Staff Finance Budget Analyst, Department of Finance
- Lourdes Morales, Legislative Analyst's Office

BACKGROUND

Infill Infrastructure Grant Program of 2019 – Liquidation Extension. The 2019 Budget Act included $500 million General Fund to fund infrastructure to support development of housing in infill areas. In July 2019, Governor Newsom signed Chapter 159, Statutes of 2019 (AB 101), the housing and homelessness budget trailer bill, which included the creation of the Infill Infrastructure Grant (IIG) Program of 2019. Modeled after the Infill Infrastructure Grant Program of 2007 (IIG Program of 2007), IIG Program of 2019 expanded the opportunity for small jurisdictions (counties with populations of less than 250,000) to obtain funding. It also relaxed some readiness requirements and allocated $90 million for small jurisdictions to encourage the construction of infrastructure and incentivize housing in communities of all sizes.

Grant Year/Type	Award Year	Amount Awarded	Number of Awards	Highest Award	Lowest Award	Average Award
Round 4	2014	$40,552	18	$4,000	$530	$2,253
Round 5	2017	$46,894	22	$5,000	$625	$2,132
IIG of 2007 Totals		**$762,787**	**159**	**-**	**-**	**$4,212**
General Fund – IIG of 2019						
Large Jurisdictions	2020	$195,266	40	$30,000	$1,574	$4,882
Small Jurisdictions	2020	$84,408	21	$22,080	$715	$4,019
IIG of 2019 Totals		**$279,674**	**61**	**-**	**-**	**$4,451**

The current three-year liquidation period may negatively impact several awardees. If program milestones appear unreasonable based on the unknown impacts of COVID-19, commercial construction lenders and other project funders may not execute lending and grant documents. Either of these would result in lack of IIG program participation, causing projects to be delayed or cancelled. This request includes budget bill language authorizing DOF to extend the IIG of 2019 liquidation deadline on a case-by-case basis for COVID-19 related delays.

Workload Resources. The budget includes $2,924,000 (General Fund) and 11.5 positions in 2021-22, $1,622,000 (General Fund) and nine positions in 2022-23, and $125,000 and one position in 2023-24, and ongoing to implement housing laws passed during the 2020 legislative session. These proposals include:

- One time General Fund augmentation of information technology contract funds of $150,000 to update its Housing Element Tracking System consistent with AB 168

(Chapter 166, Statutes of 2020). AB 168 amended SB 35 (Chapter 366, Statutes of 2017) the streamlined ministerial approval process, and requires a development proponent.

- $2,634,000 in 2021-22, including a one-time information technology contract funding of $500,000 to design and implement a portal and software for multi-program NOFA and $2,134,000 for the 10.5 positions, and $1,496,000 in 2022-23 for redesign of the multifamily rental housing program consistent with AB 434 (Chapter 192, Statutes of 2020). AB 434 aligns HCD's programs into two areas of funding opportunity: rental and homeownership.

- $140,000 in 2021-22, and $125,000 in 2022-23 and ongoing for administrative support for AB 168 and AB 434 to address general workload increases resulting from an increased number of housing bills.

LAO COMMENTS

The LAO raises the following questions on IIG Liquidation Extension:

- How will the option to extend the liquidation period affect the overall completion of housing projects awarded IIG funding?

- Does the need to extend the liquidation period indicate locals do not have capacity for additional projects at this time? (Recent data on multifamily housing permits issued in the state— Building Permits Update: November 2020—indicate permit activity remains sluggish. In most months of 2020, permits for multifamily housing remained below prior years' levels.)

STAFF COMMENTS

1. Does HCD have an estimate of how many projects would need to be reviewed on a case by case basis for an extension?

2. Can HCD provide information as to why the cost of implementing AB 434 is higher and includes more positions than the bill analysis from last year?

Staff Recommendation: Absent any questions from members or comments by the public, staff recommends a vote-only items whenever the Committee takes action.

0515 HOMELESS COORDINATING AND FINANCING COUNCIL

In 2017 the Homeless Coordinating and Financing Council (HCFC) was created to oversee the implementation of "Housing First" policies, guidelines, and regulations to reduce the prevalence and duration of homelessness in California. The Business, Consumer Services and Housing Agency (BCSH) is responsible for the distribution of more than $1.5 billion in homelessness grants on the Council's behalf.

ISSUE 7: OVERVIEW OF HCFC'S PROGRAMS

This item will provide an overview of HCFC's responsibilities as well as an update on the HCFC's Annual Funding Report that includes an update on two grants – the Homeless Emergency Aid Program (HEAP) and Round 1 of the Homeless Housing, Assistance, and Prevention Program (HHAP).

PANEL

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

- Aly Sutton, Deputy Secretary of Homelessness, Homeless Coordinating and Financing Council
- Chris Hill, Department of Finance
- Lourdes Morales, Legislative Analyst's Office

BACKGROUND

Action Plan for Preventing and Ending Homelessness in California

The Council is expected to adopt an Action Plan in March 2021 and will be responsible for overseeing and monitoring its implementation - and for updating the Action Plan on an annual basis. The Action Plan seeks to orient the State's efforts toward driving purposeful, meaningful, and measurable progress toward preventing and ending homelessness in California.

In developing and implementing the Action Plan, the HCFC is pursuing a vision for the Council and the State's work to prevent and end homelessness that features:

- Increased leadership from the State for identifying and supporting short-term and long-term solutions;

- Purposeful, action-oriented coordination and alignment across State agencies and programs; and

- Stronger, collaborative partnerships with public and private partners in communities.

Homeless Data Integration System

The Homeless Data Integration System (HDIS) is a technology solution that allows the State of California to access and compile standardized homelessness data collected by individual Continuums of Care (CoCs) in order to make data-driven policy decisions aimed at preventing and ending homelessness in California.

HDIS is administered by the Homeless Coordinating and Financing Council, which is housed within the Business, Consumer Services and Housing Agency (BCSH). BCSH expects HDIS to be operational by early spring 2021.

HCFC Annual Funding Report.

HEAP Overview and Highlights

As authorized by Chapter 48, Statutes of 2018, (SB 850), HEAP is a $500 million three-year block grant designed to provide direct assistance to cities and Continuums of Care (CoCs) to address the homelessness crisis throughout California. In total, $499 million was allocated to 54 grantees comprised of all 43 CoCs and the state's 11 largest cities, with CoCs receiving 70% of funding and cities receiving the remaining 30%.

As of September 30, 2020:

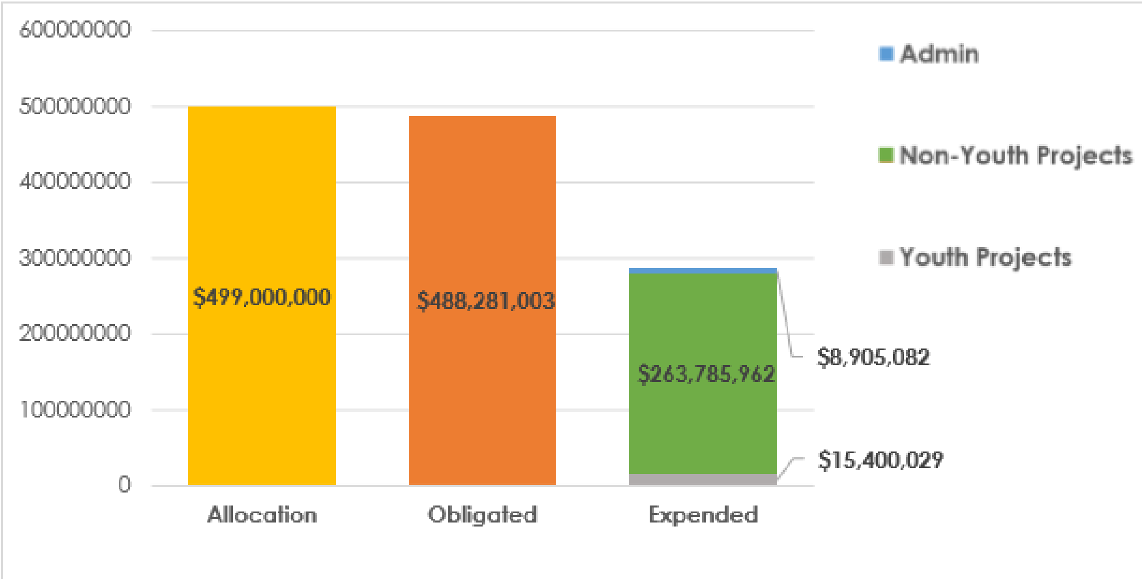
- HEAP grantees have spent 58% ($288 million) of the $499 million allocated. Spending significantly increased year-over-year. Grantees spent a combined total of $69 million from September 2018 to September 2019. However, in the second year (September 2019 - September 2020) grantees quickly accelerated spending to a combined total of $219 million. To spend the full HEAP allocation, 42% of funds will need to be spent between October 1, 2020 through June 30, 2021.
- HEAP grantees have served approximately 65,524 people; 76% of people were served in Continuums of Care and 24% of people were served across large cities.

Expenditures

As of September 30, 2020, HEAP grantees spent 58% ($288 million) of the $499 million allocated. Grantees spent approximately:

- $121 million on capital improvements (42%)
- $107 million on services (37%)
- $32 million on rental assistance (11%)
- $19 million on other projects 6.5%), and
- $9 million on administration (3%).

Figure 1: HEAP Total Fiscal Action, All Grantees as of 9/30/2020



HHAP Round 1 Overview and Highlights

As authorized by Chapter 159, Statutes of 2019, (AB 101), HHAP Round 1 is a $650 million, five-year block grant program designed to provide jurisdictions with one- time grant funds to support regional coordination and expand or develop local capacity to address their immediate homelessness challenges. In total, $618 million was allocated to 102 grantees comprised of all 58 counties, 44 CoCs, and the state's 13 largest cities. Counties received 27% of the funding, CoCs received 30%, and cities received 43%.

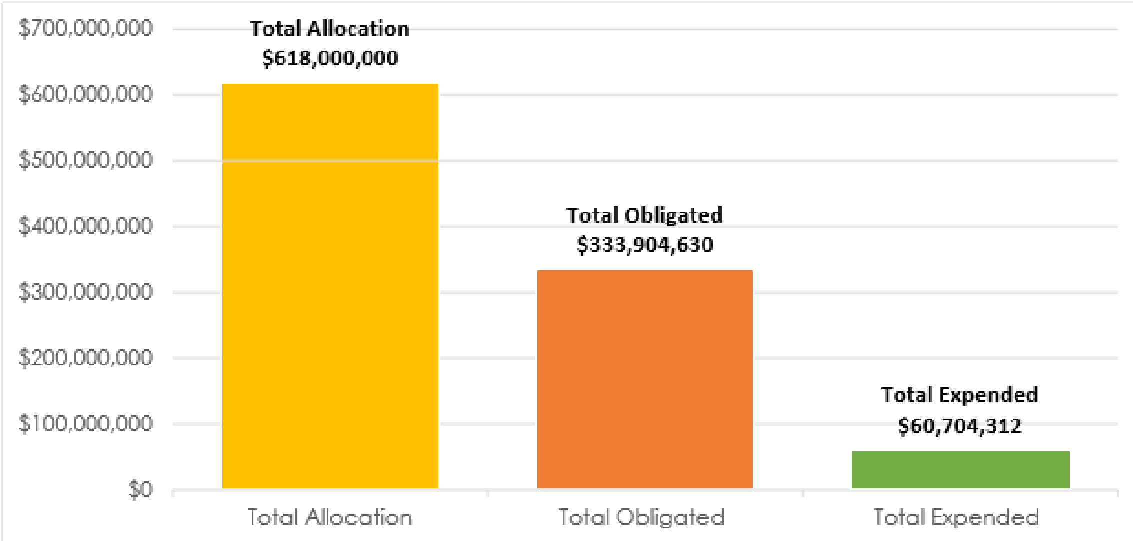
As of September 30, 2020:

- HHAP grantees have obligated 54% ($334 million) of the allocation and expended 9.8% ($61 million) within the spending period of May - September 2020.

- HHAP grantees served approximately 4,612 people comprising approximately 3,814 households. 64.3% of people were served in Continuums of Care, 17.8% were served in counties, and 19% were served across large cities.

The Figure below represents the total amount of HHAP funding allocated, and the amounts obligated and expended within the first four to five months of the program.

Figure 19: Total Fiscal Action, All Grantees (as of 9/30/2020)



STAFF COMMENTS

The Subcommittee may wish to ask the following:

1. HCFC appears to have a lot of programs within their portfolio but not a lot of staff. Does HCFC need additional positions to handle the workload? How long does it take to onboard new staff?
2. Did locals use both HEAP and HHAP funding for regional coordination?
3. What are the reporting requirements in HEAP and HHAP?
4. What were the barriers to using this funding? What were best practices for both HEAP and HHAP?
5. Have you received feedback from locals about which program was easier to use?
6. Locals were allowed to use some of their HEAP and HHAP dollars for Project Roomkey. As Project Roomkey is reimbursed, what happens with the reimbursement, is there a requirement that locals have to put these dollars back into HEAP or HHAP?

Staff Recommendation: This item was presented for information only.

0968 TAX CREDIT ALLOCATION COMMITTEE

ISSUE 8: LOW INCOME HOUSING TAX CREDITS

The Governor's budget proposes $500 million in low-income housing tax credits.

PANEL

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

- Nancee Robles, Executive Director, TCAC
- Anthony Zeto, Deputy Executive Director, CTCAC
- Dana Cruz, Staff Finance Budget Analyst, Department of Finance,
- Bronte Chan, Finance Budget Analyst, Department of Finance
- Lourdes Morales, Legislative Analyst's Office

BACKGROUND

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 and 2020 Budget Acts authorized an additional $500 million in low-income housing tax credits for new construction projects that receive the federal 4 percent tax credit.

There are two federal tax credits available for multifamily housing: the 4 percent and the 9 percent. The 4 percent tax credit (30 percent subsidy) is for the acquisition and rehabilitation of existing buildings and new construction. Four percent tax credits must be paired with tax-exempt bonds. The 9 percent tax credit (70 percent subsidy) is usually for new construction and substantial rehabilitation and are not paired with tax exemption bonds. The 9 percent tax credit has been oversubscribed for years but the 4 percent has been historically underutilized. The federal government does not cap the amount of four percent credits. In 2019, the Legislature increased the amount of state tax credits in part to maximize the use of the underutilized 4 percent tax credits.

In 2019 and 2020, the Legislature authorized an additional $500 million in state tax credits to maximize the use of unlimited 4 percent federal credits. The increase in state tax credits has led to an oversubscription of tax-exempt bonds making the tax exempt bonds competitive for the first time. As a result, the California Debt Limit Allocation Committee (CDLAC) working with the California Tax Credit Committee (CTAC) has had to develop a set of priorities and process for determining which projects will receive bonds and consequently state tax credits.

CTCAC and CDLAC adopted regulations aimed at increasing affordable housing production, containing costs, and maximizing public subsidy and benefit of the credits according to AB 83 (Chapter, Statutes of 20200. These regulations were finalized in late 2020.

BCSH and the Treasurer's Office have established a working group to improve and coordinate a variety of housing finance programs. HCD also implemented a short pause on issuing new Notices of Funding Availability so that the billions of dollars awarded to affordable housing projects around the state align with the regulations promulgated by the California Debt Limit Allocation Committee and Tax Credit Allocation Committee.

LAO COMMENTS

The state has authorized $1 billion in low-income housing tax credits over the last two fiscal years. The LAO suggest the Legislature direct the administration to provide an update on the status of the awarded tax credits, the number of units and statewide distribution of housing anticipated due to the tax credits, and any challenges experienced by the program.

STAFF COMMENTS

The state's LIHTC has been one of the investment tools that the state has used to address the state's housing crisis. The pending report from CDLAC will provide additional data needed to evaluate the use of the state tax credits and how to best utilize the state's limited amount of tax-exempt bonds. CTAC is prohibited from pairing 9 percent credits with state tax credits. CDLAC's report will provide recommendations regarding the need to make adjustments to the use of 4 and 9 percent tax credits.

The Subcommittee may wish to ask TCAC to discuss the following:

- What is the geographic breakdown of tax credits and bonds in the last round?
- Please provide a breakdown of developments that received awards in the last round, income levels of the units and local of the developments.

Staff Recommendation: This issue reflects a policy proposal that may require the Subcommittee revisit it at a later time.

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

ISSUE 9: HOUSING EQUITY OUTREACH AND ENFORCEMENT

The Governor's budget includes $2.2 million (General Fund) in 2021-22 and $1.7 million General Fund in 2022-23 and ongoing, and eight positions to support compliance with fair housing laws, including (1) providing education and training efforts to reduce discrimination in housing and employment and (2) studying how COVID-19 has affected housing discrimination.

PANEL

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

- Mike Miller, Deputy Director, DFEH
- Mary Wheat, Chief Deputy Director, DFEH
- Dana Cruz, Staff Finance Budget Analyst, Department of Finance,
- Lourdes Morales, Legislative Analyst's Office

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 (effective January 1, 2021), 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 meets its statutory obligations by educating employers, businesses, housing providers, state-funded programs and activities, and the public about their rights and responsibilities under the civil rights statutes enforced by DFEH and by affirmatively investigating discriminatory practices within the State in accordance with its statutory mandate "to eliminate discrimination in California."

In 2018-19, the Legislative Women's Caucus appropriated one-time $3 million General Fund to DFEH to provide outreach and education which supported three limited-term staff members.

DFEH's Education and Outreach team has focused on developing and disseminating a robust, multilingual, and multifaceted set of educational resources and initiatives (such as online trainings and events, guides, factsheets, webpages, and social media). In 2019-20 alone, they:

- Participated in 73 outreach events statewide, reaching more than 13,623 individuals with information about their rights and responsibilities under California's civil rights laws.

- Published 10 new guides and factsheets (available in multiple languages) and began redesigning our existing library of resources.
- Redesigned our external website to make it more informative, easier to navigate, and more accessible to people with disabilities.
- Achieved approximately 222,000 impressions through social media posts.
- Developed and launched a multi-faceted campaign to inform employers and applicants about California's new Fair Chance Act.
- Developed free, online trainings for employees and supervisors regarding sexual harassment prevention and creating workplaces of respect.
- Developed a Fair Housing Regulations Webinar Series to teach housing providers, tenants, developers, and others about California's fair housing laws as well as the Fair Employment and Housing Council's new regulations that became effective January 1, 2020.

This request includes an additional five positions and permanent position authority and funding for the three limited-term positions in the Education and Outreach team to provide more training, testing, research, and enforcement to address the housing crisis and support equity goals. These positions include:

- Three administrative positions, to oversee and support the Outreach and Education unit (one continuation of a limited-term position provided in 2019-20 and two new positions.)
- Two positions for Outreach and Education (one continuation of a limited-term position provided in 2019-20, and one new position.)
- Two positions for proactive testing and enforcement of fair housing requirements (both new positions.)

This request also includes funding for three program areas:

- $120,000 annually to support DFEH's outreach and education efforts, including the development and production of trainings, travel, translation, and other necessary expenditures.
- $280,000 annually to support the fair housing testing program described above.
- $500,000 in 2021-22 to support a large-scale and rigorous study of housing issues amid COVID-19.

STAFF COMMENTS

The Subcommittee may wish to ask DFEH what the goal is with outreach and education and how they are measuring the impact that they are making in reducing or managing future enforcement workload.

Staff Recommendation: This issue reflects a policy proposal that may require the Subcommittee revisit it at a later time.

ISSUE 10: WORKLOAD RESOURCES

The budget includes $5.1 million (General Fund) in 2021-22 and $3.9 million (General Fund) in 2022-23 and ongoing, and 24 positions to provide resources to implement three bills enacted in 2020.

PANEL

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

- Mike Miller, Deputy Director, DFEH
- Mary Wheat, Chief Deputy Director, DFEH
- Dana Cruz, Staff Finance Budget Analyst, Department of Finance,
- Lourdes Morales, Legislative Analyst's Office,

BACKGROUND

SB 1383 (Chapter 86, Statutes of 2020) expands the California Family Rights Act (CFRA) to cover employers of five or more employees and all public employees. SB 1383 expanded in several other ways, including by providing that CFRA leave can be taken to care for a much larger set of family members than currently covered, such as grandparent, grandchildren, siblings, and domestic partners. SB 1383 repeals the New Parent Leave Act (NPLA) as of January 1, 2021, because the NPLA protections will be subsumed by the expanded CFRA regime effective on that date.

AB 1867 (Chapter 45, Statutes of 2020) creates a family leave mediation pilot program for small employers (5-19 employees), allowing them (or an employee) to request mediation with the Department of Fair Employment and Housing (DFEH) prior to an employee filing a lawsuit in court. If mediation is requested, the employee may not pursue a lawsuit until mediation is complete. The mediation would be deemed complete when, at any time after the employer or employee's request, the department notifies the parties that further mediation would be futile. The bill sunsets on January 1, 2024.

SB 973 (Chapter, Statutes of 2020) 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.” Currently, DFEH only receives limited EEO-1 information from EEOC on an ad hoc basis related to specific cases. To implement this bill, DFEH will need to put into place the IT infrastructure to support, secure and utilize the pay data received before the March 31, 2021, collection deadline.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Absent any questions from members or comments by the public, staff recommends a vote-only items whenever the Committee takes action.

9210 LOCAL GOVERNMENT FINANCING

ISSUE 11: LOCAL GOVERNMENT BACKFILL

The budget includes $10.1 million General Fund to reimburse San Mateo County for Vehicle License Fee backfill insufficiencies in 2019-20 driven by insufficient Educational Revenue Augmentation Fund (ERAF) revenues.

PANEL

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

- Chris Hill, Department of Finance
- Lourdes Morales, Legislative Analyst’s Office

BACKGROUND

As part of the 2004 Budget compromise, the Vehicle License Fees (VLF) – which were a local revenue source – were reduced, and any shortfalls were offset from a countywide ERAF.

Local property taxes are shared by local governments, including K-12 and community college school districts. K-12 districts are guaranteed an overall funding level between state and nonstate resources, which is called a revenue limit. K-12 districts whose nonstate share from local property taxes meet or exceed its revenue limit are called basic aid districts. ERAF distributes property taxes to nonbasic aid school districts to offset revenue they would otherwise receive from the General Fund, and the 2004 Budget compromise provided that ERAF would also backfill the revenue shortfalls due to the changes in the VLF.

The Administration is proposing $10.1 million for San Mateo County to reimburse its cities and the counties in the context of there being (1) insufficient ERAF monies and (2) too many basic aid school districts. Additionally, the baseline budget continues to include funding for Alpine county.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Absent any questions from members or comments by the public, staff recommends a vote-only items whenever the Committee takes action.

8885 COMMISSION ON STATE MANDATES

ISSUE 12: FUNDED AND SUSPENDED MANDATES

The Governor's proposal to fund and suspend mandates is consistent with the 2020 Budget Act.

PANEL

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

- Department of Finance
- Lourdes Morales, Legislative Analyst's Office

BACKGROUND

Mandates to be Funded. The budget proposes $47.7 million to fund mandates as listed in the chart below. Of this amount, $45.6 million is General Fund. The only change from 2020-21 to 2021-22 is the addition of $5.3 million to reimburse local agencies for costs related to SB 29 Peace Officer Training: Mental Health/Crisis Intervention mandate (Chapter 469, Statutes of 2015).

2021-22 Funded Local Government Mandates	**Proposed Funding Levels**
Accounting for Local Revenue Realignments	0
Allocation of Property Tax Revenues	603,000
California Public Records Act	0
Crime Victims' Domestic Violence Incident Reports	178,000
Custody of Minors-Child Abduction and Recovery	13,259,000
Domestic Violence Arrest Policies	9,793,000
Domestic Violence Arrests and Victims Assistance	2,288,000
Domestic Violence Treatment Services	2,367,000
Health Benefits for Survivors of Peace Officers and Firefighters	2,695,000
Local Agency Ethics	17,000
Medi-Cal Beneficiary Death Notices	8,000
Medi-Cal Eligibility of Juvenile Offenders	2,000
Peace Officer Personnel Records: Unfounded Complaints and Discovery	809,000
Rape Victim Counseling	601,000
Sexually Violent Predators	3,800,000
State Authorized Risk Assessment Tool for Sex Offenders	724,000
Threats Against Peace Officers	0
Tuberculosis Control	239,000
Unitary Countywide Tax Rates	400,000
Post Election Manual Tally	0
Sheriffs Court Security Services	0
U Visa Form 918, Victims of Crime: Non-Immigrant Status	1,339,000
Local Agency Employee Organizations, Impasse Procedures II	1,201,000
Peace Officer Training: Mental Health Crisis Intervention	5,300,000
Total General Fund	**$45,623,000**
Fund 0044	
Administrative License Suspension	2,008,000
Fund 0106	
Pesticide Use Reports	47,000
Totals	**47,678,000**

Suspended Mandates. The budget proposes to suspend 38 mandates with a cost estimate of $552.5 million.

2021-22 Suspended Local Government Mandates for Governor's Budget	August 31, 2020 Balance (AB 3000 Report)
Absentee Ballots	49,538,762
Absentee Ballots: Tabulation by Precinct	67,700
Search Warrant: AIDS	1,582,315
Animal Adoption	8,138,490
Conservatorship: Developmentally Disabled Adults	348,847
Coroner's Costs	221,667
Crime Statistics Reports for the Department of Justice	131,583,657
Crime Victims' Domestic Violence Incident Reports II	2,009,608
Developmentally Disabled: Attorneys' Services	1,200,934
DNA Database	309,814
Domestic Violence Background Checks	11,927,294
False Reports of Police Misconduct	10,085
Firearm Hearings for Discharged Inpatients	157,256
Interagency Child Abuse and Neglect Investigation Reports	67,100,155
Identity Theft	87,877,803
In-Home Supportive Services II	442,854
Judicial Proceedings For Mentally Retarded Persons	273,882
Mandate Reimbursement Process I	6,841,807
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: Extended Commitment Proceedings	339,541
Mentally Retarded Defendants: Diversion	35,905
Modified Primary Election	1,816,619
Not Guilty by Reason of Insanity	5,214,032
Open Meetings Act/Brown Act Reform	103,947,642
Pacific Beach Safety: Water Quality and Closures	343,927
Perinatal Services	2,251,785
Permanent Absent Voters II	11,906,707
Personal Alarm Devices	(2,253)
Photographic Record of Evidence	290,594
Post Conviction: DNA Court Proceedings	410,230
Postmortem Examinations: Unidentified Bodies, Human Remains	5,460
Senior Citizens Property Tax Postponement	480,794
SIDS Training for Firefighters	(981)
Stolen Vehicle Notification	1,116,840

Structural and Wildland Firefighter Safety Clothing and Equipment	(8,722)
Voter Identification Procedures	10,075,391
Voter Registration Procedures	2,481,096
Total Suspended Mandates	**$ 552,469,373**

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Absent any questions from members or comments by the public, staff recommends a vote-only items whenever the Committee takes action.

2320 DEPARTMENT OF REAL ESTATE

OVERVIEW

In the Governor's 2021 Budget, the Department of Real Estate (DRE) proposes two Budget Change Proposals. For the hearing, the Subcommittee will hear from one panel to discuss these proposals.

ISSUE 13: DEPARTMENT OF REAL ESTATE BUDGET PROPOSALS

The budget change proposals from DRE request funds for additional staff to handle various workload needs.

PANEL

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

- Marcus McCarther, Chief Deputy Commissioner, Department of Real Estate
- Drew Soderborg, Deputy Legislative Analyst, Legislative Analyst's Office
- Kia Cha, Staff Finance Budget Analyst, Department of Finance

BACKGROUND

1. **Accounting Workload Resources.** The Governor's Budget requests $125,000 in 2021-22 and $117,000 in 2022-23 and ongoing, from the Real Estate Fund (0317),

and 1.0 Senior Accounting Officer (Specialist) position and 1.0 two-year limited-term Accounting Officer (Specialist) position to support the accounting activities in Fiscal Operations.

Effective July, 1 2018, the California Bureau of Real Estate separated from the Department of Consumer Affairs (DCA), became a department within the Business, Consumer Services, and Housing Agency, and was renamed the DRE. In order for the DRE to function as a department and meet required departmental mandates, the requested core positions were approved in the 2018 Budget Act. Prior to becoming a Bureau, DRE had its own Accounting Section, which was responsible for implementation of all laws and rules governing State financial accounting and reporting. In 2018-19 and 2019-20, DRE entered into an interagency contract with DCA for services to assist during the transitional period in its return to department status. This Interagency agreement provided for DCA's assistance with all accounting functions until DRE was able to hire the necessary positions to fulfill most accounting responsibilities. This contract ended on June 30, 2020.

There is a workload gap left by services that were previously provided by DCA that is unable to be filled by current staff. DRE cannot absorb this additional workload at the current staffing levels. Accommodating this workload, would create backlogs in other areas. The request for 1 Senior Accounting Officer (Specialist) position, and 1 Accounting Officer (Specialist) on a two-year limited-term basis, is due to the complexity of current funds, as well as to assist with the workload and backlog created with the ending of the interagency agreement with DCA. The Senior Accounting Officer (Specialist) position would assist with credit card and Nationwide Multistate Licensing Service (NMLS) transactions, while the limited-term Accounting Officer (Specialist) would assist with addressing the four-month backlog of miscellaneous revenue functions such as running a deposit tape, processing deposits in CashPro, and keying coded transactions.

2. **Licensing Section – Call Workload.** The Governor's budget includes three-year limited-term funding of $414,000 in 2021-22, and $374,000 in 2022-23 and 2023-24, from the Real Estate Fund (0317) and 5 Program Technician IIs, to support the Licensing Program, Information Section.

Currently, there are approximately 422,000 real estate licensees in California. Before an applicant can be licensed as a real estate salesperson or broker, they must fulfill certain real estate education requirements and pass an exam administered by DRE. DRE's Licensing program manages a large volume of telephone inquiries from licensees, applicants, and consumers. The associated licensing workload, as well as an increasing licensing population, has led to a continually high volume of phone calls received by DRE and an extensive call wait time for licensees, applicants and consumers.

Workload History

Workload Measure	2015-16	2016-17	2017-18	2018-19	2019-20
Licensing Call Volume	249,042	255,605	245,268	220,866	187,890
License Population	408,357	415,458	419,154	423,810	421,624
Call Wait Times	37 min*	40 min*	40 min*	24 min	25 min

*Estimated average call wait times before deployment of the Virtual Contact Center (VCC) in 2018.

The request for the additional 5.0 Program Technician II positions is based upon the high volume of workload as well as projected forecasted growth, which continues to keep call volume and caller wait times at high levels. Call wait times are currently averaging approximately 20 to 25 minutes per call, with over 58,000 calls abandoned this past year. Furthermore, excessive call wait times was an issue brought to DRE's attention in 2016 at the Joint Senate & Assembly Business & Professions Oversight hearing, where it was inquired if the DRE had adequate resources to answer and address consumer calls. Due to lengthy call wait times, staff who could be processing applications are frequently called upon to assist in answering calls, on average 2.5 hours per day, which approximately equates to 300 sales exam applications not being processed daily. When other staff members assist with answering calls, it increases the backlog of applications that need to be processed, which result in increases to both the number of application and license status calls to DRE.

STAFF COMMENTS

Staff has made the following observations about these two proposals:

1. **Accounting Workload Resources.** In 2018-19 and 2019-20, DRE paid $1 million for an interagency contract with DCA for accounting functions while transitioning to a separate department. After this period, DRE's budget authority was reduced $1 million. Staff does not have concerns about this proposal at this time.

2. **Licensing Section – Call Workload.** Staff notes that the workload history chart provided by DRE shows a decreasing call volume beginning in 2017-18 with wait time beginning to decline. However, in 2019-20, call volumes were reduced by nearly 33,000, yet the wait time increased by one minute. DRE states that the wait time was not reduced due to staffing vacancies. Staff recommends holding open this proposal until vacancies are filled in order to get a clearer picture of what wait times will be for phone calls once the department is fully staffed. The Subcommittee may wish to enquire if DRE has other ways to decrease call volumes, such as making changes to

the Frequently Asked Questions (FAQ) section of their website based on the type of information that callers request from call center staff and including the FAQ next to the phone line or email information.

Staff Recommendation: Absent member questions or input from the public relating to these issues at this hearing, staff recommends these items be considered for a vote-only calendar whenever the Committee takes action.

PUBLIC COMMENT