

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION

ASSEMBLYMEMBER WENDY CARRILLO, CHAIR

TUESDAY, APRIL 18, 2023

1:30 PM – STATE CAPITOL, ROOM 447

*This hearing can be viewed via 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.

To provide public comment, please call toll-free number: 877-692-8957 / Access Code: 131 54 47

VOTE-ONLY CALENDAR

ITEM	DESCRIPTION	PAGE
0515	BUSINESS, CONSUMER SERVICES, AND HOUSING AGENCY	3
VOTE-ONLY ISSUE 1	INFORMATION SECURITY RESOURCES	3
VOTE-ONLY ISSUE 2	HOMELESS EQUITY LEFT BEHIND POPULATIONS WORKLOAD	4

ITEMS TO BE HEARD

ITEM	DESCRIPTION	
0515	BUSINESS, CONSUMER SERVICES, AND HOUSING AGENCY	5
ISSUE 1	HHAPP ACCOUNTABILITY TRAILER BILL LANGUAGE	5
2240	DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT	9
ISSUE 2	UPDATE ON HOUSING AND HOMELESSNESS INVESTMENTS AND PROPOSED BUDGET CHANGES	9
ISSUE 3	OVERVIEW OF CODES AND STANDARDS	13
ISSUE 4	WORKLOAD RESOURCES	17
ISSUE 5	SPRING FINANCE TRAILER BILL TECHNICAL ADJUSTMENT PROPOSALS	23

ISSUE 6	SEPARATE THE CALIFORNIA HOUSING FINANCE AGENCY FROM THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT TRAILER BILL LANGUAGE	25
ISSUE 7	HOUSING PROGRAM REPORTING REQUIREMENTS TRAILER BILL LANGUAGE	26
ISSUE 8	SPRING FINANCE LETTER 2020 COMMUNITY BLOCK GRANT – DISASTER RECOVERY	27
1700	CIVIL RIGHTS DEPARTMENT	29
ISSUE 9	HOUSING VOUCHER DISCRIMINATION PREVENTION	29
ISSUE 10	LEGISLATIVE RESOURCES (SB 649, AB 2188, AB 1041 AND AB 1949, AB 2448, SB 1162	31
ISSUE 11	PROGRAM 1500 ELIMINATION	35
ISSUE 12	WORKLOAD AND ADMINISTRATIVE RESOURCES	37
	PUBLIC COMMENT	

VOTE-ONLY CALENDAR

0515 BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY

VOTE-ONLY ISSUE 1: INFORMATION SECURITY RESOURCES

The Governor's budget includes \$731,000 in 2023-24 and \$223,000 in 2024-25 and ongoing from various funding sources and 1.0 position 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 the data- and cyber-security domain.

BACKGROUND

Business, Consumer Services and Housing Agency has been growing at a rapid rate since 2018-19 with the addition of both the California Interagency Council on Homelessness (Council) and the Department of Real Estate. Agency also has assumed oversight responsibilities of the Department of Cannabis Control and the California Privacy Protection Agency. The expanded oversight has significantly increased information technology workload.

The Department of Cannabis Control (DCC) was established as part of the 2021 Budget. DCC consolidates the three state cannabis programs – the Bureau of Cannabis Control, CDFA's CalCannabis Cultivation Licensing Division, and CDPH's Manufactured Cannabis Safety Branch. The California Privacy Protection Agency (CPPA) was established through Proposition 24 to protect the use of personal information and the promotion of public awareness and understanding of the risks, rules, and rights related to the use of personal information. CPPA was established under the Agency in the 2021 Budget.

The scope and oversight provided by Agency is large and comprehensive. Agency currently oversees 12 entities, including the Council, and has 26.0 authorized positions in 2022-23.

Cal Secure. In 2021, the administration released Cal-Secure, a 5-year cybersecurity roadmap. Cal-Secure addresses critical gaps in the state's information and cybersecurity programs while enabling the state to manage existing and future threats more effectively. Cal-Secure outlines a comprehensive set of goals centered around 29 cybersecurity maturity metrics that all departments must achieve by 2026

STAFF COMMENTS

Given the growth at Agency since 2018, Agency will need to update its information technology systems to meet the increased threats.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 2: HOMELESS EQUITY FOR LEFT BEHIND POPULATIONS WORKLOAD

The Governor's budget include two positions and \$339,000 (General Fund) in 2023-24, two positions and \$323,000 (General Fund) in 2024-25, and ongoing to implement the provisions required through Chapter 665, Statutes of 2022 (SB 914). These positions will be for the California Interagency Council on Homelessness (Council), within the Business, Consumer Services and Housing Agency (Agency).

BACKGROUND

SB 914 establishes the Homeless Equity for Left Behind Populations (HELP) Act. The bill requires cities, counties, and continuums of care who receive state funding to include families, people fleeing or attempting to flee domestic violence, and unaccompanied women into homelessness planning and responses on or after January 1, 2024. SB 914 also requires the California Interagency Council on Homelessness (Council) to establish measurable goals aimed at preventing and ending homelessness among domestic violence survivors and their children, and unaccompanied women. The bill requires the Council establish initial goals by January 1, 2025, with a required evaluation of these goals at least every two years to determine whether updated goals are needed.

STAFF COMMENTS

Resources included in the budget change proposal are consistent with the resources outlines in the appropriation analysis as the bill went through the policy process.

Staff Recommendation: Approve as Budgeted.

ITEMS TO BE HEARD

0515 BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY

ISSUE 1: HHAPP ACCOUNTABILITY TRAILER BILL LANGUAGE

The Governor's budget proposes trailer bill language to strengthen Homeless Housing, Assistance and Preventions Program (HHAP) accountability in the planning and expenditure of HHAP funding.

PANEL

- Myles White, Assistant Secretary of Legislation, BCSH
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Chris Hill, Principal Program Budget Analyst, Department of Finance (DOF)
- Ted Doan, Finance Budget Analyst, DOF

BACKGROUND

The 2023-24 budget proposes an additional \$1 billion for the 5th round of the Homeless Housing, Assistance and Prevention (HHAP) Program, which provides flexible funding for local jurisdictions to address homelessness. With the release of these funds, the Governor's budget states its intent to work with the Legislature to pursue additional statutory provisions to increase outcomes and accountability.

Additionally, the Governor's budget proposes to pursue statutory language to prioritize HHAP spending on the following:

1. Operating Subsidies to support permanent and supportive housing sites including Homekey.
2. Operating Subsidies to support new or existing residential care facilities funded by Behavioral Health Continuum Infrastructure Program and/or Community Care Expansion program.
3. Sustaining interim and permanent housing funded by previous allocations of HHAP and various programs like Project Roomkey.
4. Supplementing resources to address housing placements and/or direct client services for eligible participants in CARE Court.
5. Street outreach to assist persons experiencing homelessness, including but not limited to persons experiencing homelessness from encampments sites and those transitioning out of encampment sites funded by Encampment Resolution Grant program.

The Governor's budget proposes expanded housing streamlining provisions as part of their accountability proposal. The Legislature has created various streamlining options [SB 35 (Wiener) (2017), AB 2162 (Chiu) (2018), AB 101(Committee on Budget) (2019), AB 2011 (Wicks) (2022)] to expedite the production of navigations. The budget process should evaluate how the HHAP program is working as well as the other homelessness programs that are proposed to evaluate the outcomes achieved by each program and how they are reducing homelessness.

Homeless Housing, Assistance and Prevention (HHAP Program)

As mentioned above, the HHAP Program provides funding to CoCs, counties, and cities over 300,000 in population to fund evidence-based approaches to end and prevent homelessness. HHAP can be used for various purposes, including rental assistance and rapid rehousing, operating subsidies for affordable housing, shelters, supportive housing, incentives for landlords, and supports to improve the local homelessness services and housing delivery system. The 4th round of the HHAP Program included the first accountability provisions in the any of the housing homelessness programs created in the last four years.

The HHAP Program requires applicants to submit a Local Action Plans that includes outcome goals that prevent and reduce homelessness over a three-year period, informed by the findings from the local landscape analysis and the jurisdiction's base system performance measure from 2020 calendar year data in the Homeless Data Integration System. The outcome goals included metrics, based on the United States Department of Housing and Urban Development's system performance measures to do the following:

- Requires that each applicant determine its outcome goals in consultation with the council, and shall not submit its final outcome goals before consulting with the council.
- Requires the council to assess outcome goals and determine whether the outcome goals adequately further the objectives of reducing and preventing homelessness.
- Requires that initial outcome goals be met no later than June 30, 2024, and requires outcome goals to be updated regularly, as funding continues.

STAFF COMMENTS

On February 22, 2023, Subcommittee 6 on Budget Process, Oversight, and Program Evaluation held an informational hearing on State Homelessness Funding Programs. During the Subcommittee hearing, Legislators had a robust discussion with locals about accountability and roles of both the state and local governments.

Metrics included in Local Action Plans. In the fall of 2022, the Governor convened local leaders to reassess their local action plans because collectively the plans only resulted in a 2 percent reduction in street homelessness.

The Subcommittee should ask Cal-ICH:

1. Which metrics the Council had locals revise when evaluating their local action plans and why those specific metrics?
2. What was the result of those changes?
3. Are the new goals outlined in the local action plans achievable with current funding levels?

Accountability. Should accountability be measured solely on how many people are being sheltered and how many are being moved into permanent housing consistent with the local actions plans?

Delays in awarding funding. Homelessness funding at the state level is a relatively new funding investment and it is taking time to be awarded at the state level and then expended at the local level. For example, the HHAP program takes this into account by its deadlines. It requires locals to create local action plans but provides them two years to demonstrate that their outcome goals have been met.

The Subcommittee may wish to ask Cal-ICH if there is anything the state can do to streamline releasing the funding to locals?

Bonus Pots. The bonus pot of funding is \$180 million set aside for both Rounds 3 and 4; and absent any changes could also include \$180 million for Round 5.

The Subcommittee may wish to ask:

- Should the legislature leave \$540 million set aside for bonus to be awarded in 2024, 2025, and 2026?
- Would it be better for these funds be awarded now to help locals meet their ambitious goals in their local action plans or to create a 6th round of funding?

Prioritizing Funding for Specified Programs. The Governor's trailer bill language proposes prioritizing funding for specified programs. This would take away flexibility which has been a key component of the HHAP funding. Additionally, the other programs outlined as priority programs do not have metrics to evaluate the effectiveness of those programs.

Program Evaluation. In the last few years, the State has been operating quickly to house the unsheltered population through different innovative programs. Now that there is time to pause and evaluate these programs, the Legislature should consider the following:

- Do we have criteria to evaluate the effectiveness of these programs? Should the criteria be the same for all programs?
- The HHAP program allows for multiple applications and offers a bonus for jurisdictions who coordinate their applications. This process has improved coordination amongst agencies but has not resulting in regions submitting one application. The Subcommittee should explore whether mandating coordination is necessary to achieve complete coordination across localities?

Staff Recommendation: Hold Open.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**ISSUE 2: UPDATE ON HOUSING AND HOMELESSNESS INVESTMENTS AND PROPOSED BUDGET CHANGES**

This item will include an overview of the Housing and Homelessness Investments as well as the proposed budget changes for 2023-24 ([LAO Summary](#)).

The Governor's budget proposes reducing previously authorized housing-related spending actions by \$350 million, which would be subject to trigger restorations in January 2024 if the state budget condition improves. The Governor's budget maintains other existing housing and homelessness spending and maintains planned spending in 2023-24.

PANEL

- Zack Olmstead, Chief Deputy Director, HCD
- Ellen Martin, Director of Homeownership, CalHFA
- Meghan Marshall, Executive Director, Cal-ICH
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Andrew March, Principal Program Budget Analyst, DOF
- Hannah Kohanzadeh, Finance Budget Analyst, DOF

BACKGROUND

The Governor's budget includes \$350 million in reductions to housing programs that were included in the 2022 Budget Act as follows:

- Reduces the California Dream for All by \$200 million of the \$500 million one-time in the 2023-24 Budget.
- Removes \$100 million one-time General Fund from CalHome in 2023-24 out of the \$350 million proposed in the 2022 Budget Act.
- Reverts the entire \$50 million from the Accessory Dwelling Unit Program for 2022-23.

California Dream for All. The 2022-23 budget established the California Dream for All Program to provide shared-appreciation loans to help low- and moderate-income first-time homebuyers achieve homeownership. The loans can provide funding to assist with down payments and closing costs.

Status. CalHFA paused the program due to an accelerated demand for the program funding. Cal-ICH will provide an update of the program during the Subcommittee hearing.

CalHome. CalHome provides local agencies and nonprofits grants to assist low- and very-low-income first-time homebuyers with housing assistance, counseling and technical assistance. The Budget proposes to remove \$100 million one-time General Fund in 2023-24.

Accessory Dwelling Unit (ADU) Grant program. The ADU Grant Program provides up to \$40,000 towards pre-development and some closing costs associated with the construction of an ADU. Pre-development costs include site preparation, architectural designs, permits, soil tests, impact fees, property survey, and energy reports.

Status and Preliminary Findings. When construction is completed, CalHFA anticipates the \$100 million in awards is expected to create between 2,200 and 2,400 new ADUs.

LAO COMMENTS

Housing Funding Proposed for Reduction Focuses on Recently Authorized Homeownership-Related Programs. These reductions largely focus on homeownership-related programs. Both the California Dream for All and the CalHome Program support first-time and low-income homebuyers purchase and retain a home, while the ADU program helps homeowner build ADUs on their property. The administration states its rationale for focusing reductions in these programs is related to the currently high interest rates and cost of construction—increasing the cost of homeownership (without increases to assistance levels). This rationale may be reasonable given the increased cost may dampen interest in the program. In addition, one of the proposed reductions (the largest reduction in terms of dollars) focuses on a new program that has yet to be implemented. Whether funds could be spent in a timely manner is unknown.

Trigger Restorations Unlikely. Our office anticipates the budget problem will be roughly \$7 billion larger than anticipated in January. As a result, we do not anticipate any funding subject to the proposed trigger language to be restored midway through the fiscal year.

Legislature Could Consider a Different Package of Solutions. The Governor's budget reflects one approach to addressing the state's budget constraints. However, the Legislature could consider other options. For example, the Legislature could identify other housing and homelessness funds to reduce or delay, or adjust the magnitude of housing and homelessness budget solutions. If the Legislature were to reduce the magnitude of housing and homelessness-related budget solutions, it would have to identify savings in other areas of the budget in a like amount.

Major Recent Housing and Homelessness Spending Actions

The figure below details the major discretionary spending actions by state entity from recent years.

Major Discretionary Housing and Homelessness Spending Actions Since 2018-19^a

(In Millions)

Program	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 ^b	Program Total
Housing and Community Development							
Homekey Program	—	—	\$800	\$1,600	\$1,300	—	\$3,700
Housing Accelerator Program	—	—	—	1,750	250	—	2,000
Emergency Rental Assistance	—	—	—	1,950	—	—	1,950
Infill Infrastructure Grant Program	—	\$300	—	250	200	\$225	975
Local Planning Grants	—	250	—	600	—	—	850
Foreclosure Prevention and Preservation	—	—	—	500	—	—	500
Portfolio Reinvestment Program	—	—	—	300	50	100	450
Adaptive Reuse	—	—	—	—	150	250	400
CalHome ^c	—	—	—	—	250	100	350
Multifamily Housing Program	—	—	—	—	100	225	325
State Excess Sites Development	—	3	—	45	25	75	148
Transitional Housing Program (d)	—	8	8	17	43	43	118
Joe Serna Jr. Farmworker Housing Grant Program	—	—	—	50	50	—	100
Manufactured Housing Opportunity and Revitalization Program	—	—	—	—	25	75	100
Veteran Housing and Homeless Prevention Program	—	—	—	—	50	50	100
Golden State Acquisition Fund	—	—	—	50	—	—	50
Housing Navigators Program ^d	—	5	—	5	14	14	37
Migrant Farmworker Housing Deferred Maintenance	—	—	—	30	—	—	30
Subtotals	(—)	(\$566)	(\$808)	(\$7,147)	(\$2,506)	(\$1,156)	(\$12,184)
California Interagency Council on Homelessness							
Homeless Housing, Assistance and Prevention Program	—	\$650	\$300	\$1,000	\$1,000	\$1,000	\$3,950
Encampment Resolution Grants	—	—	—	50	300	400	750
Homeless Emergency Aid Program	\$500	—	—	—	—	—	500
COVID-19 Emergency Funding	—	100	—	—	—	—	100
Family Homelessness Challenge Grants	—	—	—	40	—	—	40
Homeless Landscape Assessment	—	—	—	6	—	—	6
Homeless Data Integration System	—	—	—	4	—	—	4
Subtotals	(\$500)	(\$750)	(\$300)	(\$1,100)	(\$1,300)	(\$1,400)	(\$5,350)

(Continued)

Major Recent Housing and Homelessness Spending Actions

(Continued)

Program	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 ^b	Program Total
California Tax Credit Allocation Committee							
State Low-Income Housing Tax Credit Program	—	\$500	\$500	\$500	\$500	—	\$2,000
Subtotals	(—)	(\$500)	(\$500)	(\$500)	(\$500)	(—)	(\$2,000)
California Housing Finance Agency							
California Dream for All Program ^a	—	—	—	—	\$500	—	\$500
Mixed-Income Program	—	\$190	—	\$45	—	—	235
Accessory Dwelling Unit Grant Program ^f	—	19	—	81	50	—	150
Homebuyer Assistance	—	41	—	100	—	—	141
Subtotals	(—)	(\$250)	(—)	(\$226)	(\$550)	(—)	(\$1,026)
Grand Totals	\$500	\$2,066	\$1,608	\$8,973	\$4,856	\$2,556	\$20,560

^a This table generally captures the major discretionary spending actions within the state entities principally responsible for administering housing programs. Other state entities have also received discretionary funding in recent years. In particular, an additional \$6.9 billion has been provided to the Department of Social Services and the Department of Health Care Services for housing and homelessness related programs. You can learn more about these augmentations [here](#). The table does not include previously authorized base funding for some of these programs, such as funding from the Veterans and Affordable Housing Bond Act of 2018 and SB 2. The table reflects all fund sources.

^b The 2022-23 budget authorized some spending actions in 2023-24.

^c The 2023-24 Governor's Budget proposes reducing \$100 million from 2023-24 and making it subject to a trigger restoration.

^d The 2022-23 funding is ongoing.

^e The 2023-24 Governor's Budget proposes reducing \$200 million from 2022-23 and making it subject to a trigger restoration.

^f The 2023-24 Governor's Budget proposes reducing \$50 million from 2022-23 and making it subject to a trigger restoration.

STAFF COMMENTS

The Subcommittee may wish to ask the following:

- Discuss the process for selecting applicants for the California Dream for All? What outreach was done prior to the funding being released?
- What is the demographic data for those who will receive a Dream for All allocation?
- If additional funding added, what changes will CalHFA implement?
- Why did the Administration target cutting the homeowner programs in their proposed cuts?

Staff Recommendation: Hold Open.

ISSUE 3: OVERVIEW OF DIVISION OF CODES AND STANDARDS

The Department will provide an overview of the Division of Codes and Standards which oversees the state's Manufactured and Mobilehomes portfolio. Additionally, this item will cover three budget change proposals requesting resources under this portfolio.

PANEL

- Kyle Krause, Deputy Director, Codes and Standards, HCD
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Andrew March, Principal Program Budget Analyst, DOF
- Hannah Kohanzadeh, Finance Budget Analyst, DOF

BACKGROUND

1. Field Operations. 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. Codes is the primary enforcement agency as mandated by: Division 13, Part 2.1 of the California Health and Safety Code section 18200 et seq. (Mobilehome Parks Act), Division 13, Part 2.3 of the California Health and Safety Code section 18860 et seq. (Special Occupancy Parks Act), and Division 13 Part 1 of the California Health and Safety Code section 17000 et seq. (Employee Housing Act).

These Acts serve a variety of public and private entities through various programs such as: the Mobilehome Parks program (MP), the Mobilehome Park Maintenance program (MPM); Special Occupancy Parks program (SOP); and the Employee Housing program (EH). Entities served by these programs include, mobilehome and special occupancy park owners and residents, manufactured homeowners, manufacturing facilities, MH dealers and salespersons, EH operators and residents, and construction trades/contractors. According to the Department of Finance, approximately 1.6 million Californian's reside in mobilehomes. Residents of parks tend to be older and lower income.

There are approximately 5,188 parks located throughout the state (4,472 MPs and 716 SOPs). Each park is required to maintain a permit to operate (PTO) with HCD. MPs make up a vital stock of affordable housing units in the state. HCD is responsible for the enforcement of the Acts within parks to ensure minimum health and safety standards are maintained for homeowners and residents in nearly 560,000 MH-units; located both within parks and on private parcels of land, housing an estimated 1.6 million Californians.

SOPs, often referred to as recreational vehicle or RV parks, are used primarily for recreation, but are increasingly being used for transitional living due to the extreme housing affordability crisis in the state. The trending business model in which park owners rent a portion of their property for specialized RV parks or specialized tent camps (often referred to as Glamping) require a SOP PTO if two or more lots are rented or leased. It has been reported to Codes that many property owners are illegally operating glamping facilities on private property across the state without local approval and without required PTOs from HCD. At current funding and staffing levels, Codes has been unable to proactively inspect unpermitted SOPs to inform landowners and operators of HCD permitting requirements or to enforce compliance with the Acts and HCD regulations.

Field Operations BCP Request: Proposes the establishment of the Employee Housing Regulation Fund (Fund 3425) and position authority for 10 positions in 2023-24, and ongoing to address critical health and safety conditions within Mobilehome Parks, Special Occupancy Parks, Employee Housing (EH) facilities, and for mobilehome and manufactured housing occupants statewide. These positions will be funded from the Employee Housing Regulation Fund (Fund 3425) based on fees collected for Employee Housing services. This item include trailer bill language to enact the changes discussed.

According to HCD's 2022 Statewide Housing Plan, one in three households in California does not earn enough income to meet their basic needs. These households include, but are not limited to: MH owners, MP/SOP residents, tenants, and EH occupants. It is essential that HCD preserve and maintain MH, a major source of affordable housing for low-income Californians, to meet mandates prescribed by the Legislature. MH account for a quarter of housing units in some communities in California. To increase and preserve California's housing supply, Codes must provide timely inspections, investigate complaints, and perform robust enforcement actions to ensure residents are not facing serious health and safety risks.

2. Monitoring of Factory-Built Housing (FBH). FBH is a factory constructed version of site-built resident structure. FBH are buildings, dwelling units, or building components or systems manufactured in which all concealed parts or processes of the manufacture cannot be inspected before installation at the building site without disassembly. FBH is installed on-site, much like a standard site-built home with on-site inspections by local building departments and are designed and constructed in accordance with the California Building Standards Code.

The FBH Program oversees the manufacture of FBH units and components designed for use in California to ensure they meet California building standards and certifies third-party agencies to perform as a Design Approval Agency (DAA) and/or a Quality Assurance Agency (QAA). The FBH program is required to monitor the performance and qualifications of HCD-approved third parties and manufacturers pursuant to FBH statutes.

Monitoring of Factory-Built Housing BCP Request. Requests position authority for 1 District Representative I (DR I) in 2023-24 and ongoing to complete statutorily required in-plant inspections of Factory-Built Housing (FBH) manufacturers.

Currently, HCD is unable to meet the HSC 19991.2 mandate to conduct FBH in-plant inspections due to inadequate staffing levels. Complying with FBH ensures production of structures that are safe and durable for occupancy. FBH in-plant inspections is an opportunity to identify non-performing third-party agencies by viewing the FBH product and production. Without in-plant inspections, HCD is unable to proactively detect poor performance that may result in FBH defects. Defects can result in structural failure leading to loss of property, injuries, or death. Recent audits of manufacturers and third-party agencies have revealed issues with non-HCD approved inspectors inspecting projects, inappropriately trained workers completing FBH units, non-compliance with manufacturer standards that ensure quality control, and issuance of HCD insignia on non-code compliant structures, etc. Lack of adherence and failure to conform to California laws and regulations could lead to the production of non-compliant dwellings creating health and safety hazards for California homeowners.

BH can be installed statewide and may reduce housing costs through construction speed and efficiencies. FBH program staff provide technical assistance to cities and counties that may be unfamiliar or inexperienced with FBH products, additional staffing will allow more robust support to jurisdictions, many rural, that are permitting the installation of FBH products.

3. Registration and Titling Staffing Increase. The Manufactured Housing Act of 1980 (Health and Safety Code section 18000) established the Registration and Titling program. R&T is mandated by HSC section 18075 to provide an orderly and economical transfer of registrations and titles for manufactured homes, mobilehomes, and commercial modulars. Timely transfer of registration and title is necessary to support the manufactured and commercial modular manufacturing and sales industries and minimize housing instability.

A 2022 workload analysis performed by HCD found R&T still lacked critical positions to meet the mandates of HSC section 18075 to maintain an orderly and economical registration and titling process. R&T processing time at the date of the workload analysis was 79 days, which does not align with the 1999 report's recommended 30-60 days turnaround time. Previous attempts to reduce backlog inventory, such as offering overtime hours and separating application packages into "types" for ease of processing, have provided short-term reductions in backlog inventory, but have not provided long-term results. Current processing time for registration and titling transactions is 90 days and the rolling inventory of unprocessed transactions is more than 6,500 application packages.

Registration and Titling Staffing Increase BCP Request. Requests position authority for 4 positions in 2023-24 and ongoing in the Registration and Titling Program to maintain compliance with Health and Safety Code section 18075 to provide an orderly and economical transfer of registrations and titles for manufactured homes, mobilehomes, and commercial modulars.

STAFF COMMENT

Over the past five years, the state has been working to increase the supply of affordable housing. However, the state has invested minimally into: MH owners, MP/SOP residents, tenants, and EH occupants. The state needs to ensure that we are also taking action to preserve this major source of affordable housing for low income Californians.

The Subcommittee may wish to ask HCD to discuss the advantages of factory built housing and where these materials are being used to build housing?

Staff Recommendation: Approve as Budgeted all three budget change proposals and adopt placeholder trailer bill language for the Employee Housing Regulation Fund.

ISSUE 4: WORKLOAD RESOURCES

The Governor's budget includes an augmentation of \$2,782,000 (General Fund) for 17 positions annually in 2023-24 and 2024-25, and \$1,592,000 for 10 positions annually in 2025-26 and ongoing, to implement and support various legislation. HCD requests an augmentation (General Fund) of \$3,133,000 in 2023-24, \$1,865,000 in 2024-25, \$1,329,000 in 2025-26, and \$884,000 in 2026-27 for contracts to support various legislation.

The budget includes an augmentation (Mobilehome and Recreational Vehicle Park Training Fund) of \$1,190,000 for 7 positions annually starting in 2025-26 and ongoing. The budget also includes an augmentation (Mobilehome-Manufactured Home Revolving Fund) of \$50,000 in 2023-24 and an augmentation (Mobilehome and Recreational Vehicle Park Training Fund) of \$131,000 annually in 2025-26 and ongoing for contracts.

Finally, this requests 8 positions in 2023-24 and 2024-25, and then 6 positions in 2025-26 and ongoing from other funds.

A Spring Finance Letter makes technical adjustments to the January proposals and are reflected in each request.

PANEL

- Matt Schueller, Deputy Director of Administration and Management, HCD
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Andrew March, Principal Program Budget Analyst, DOF
- Hannah Kohanzadeh, Finance Budget Analyst, DOF

BACKGROUND

1. AB 1654 (Chapter 638, Statutes of 2022). Low-Income Housing: Insurance Tax: Credits Farmworker Housing. Includes a General Fund augmentation of \$612,000 in 2023-24 and \$462,000 annually starting in 2024-25 through 2026-27 for a consulting contract to implement AB 1654.

AB 1654 requires HCD to commission a statewide study of farmworker housing conditions, needs, and solutions. The study must include a demographic survey and analysis of farmworker households, analysis of housing conditions and unmet housing needs, and the identification of governmental and nongovernmental barriers to the production of farmworker housing. AB 1654 also requires HCD to use the findings and recommendations from the study to develop a comprehensive strategy for meeting the housing needs of the state's farmworker households. HCD states that it currently "has no positions to carry out the requirements of AB 1654. To efficiently implement AB 1654,

HCD will enter a consulting contract to complete the statewide study of farmworker housing conditions, needs, and solutions (including necessary translation services).”

2. AB 1738 (Chapter 687, Statutes of 2022) Building Standards: Installation of Electric Vehicles Charging Stations: Existing Buildings. Requests an augmentation of \$405,000 (General Fund) annually in 2023-24 and 2024-25 for a consulting contract to implement AB 1738.

AB 1738 required HCD and the California Building Standards Commission (CBSC) to research and develop building standards for the installation of electric vehicle (EV) charging stations in existing structures during certain retrofits and authorizes them to propose the standards for adoption.

The Governor’s January Budget originally proposed to allocate \$405,000 General Fund in 2023-24 and \$205,000 General Fund in 2024-25 for AB 1738 implementation. The Spring Finance Letter for the Housing and Community Development Department (HCD) requests a \$200,000 increase in one-time funding for this purpose in fiscal year 2024-25 for a consulting contract.

Thus, Governor’s revised budget request for implementation of AB 1738 is \$405,000 General Fund in 2023-24 and \$405,000 General Fund in 2024-25.

3. AB 1978 (Chapter 644, Statutes of 2022) Department of Housing and Community Development: Powers. Requests two positions for 2023-24 and ongoing to implement AB 1978.

AB 1978 directed HCD to establish a tracking system for all funding programs that, at a minimum, includes the deadlines for each step of a program application and required the tracking system to be on the HCD’s internet website.

4. AB 2011 (Chapter 647, Statutes of 2022). Affordable Housing and High Roads Jobs Act. Requests an augmentation of \$422,000 (General Fund) annually starting in 2023-24 through 2026-27 for a consulting contract to implement AB 2011. AB 2011 authorized specified housing development projects to be a use by right on specified sites zoned for retail, office, or parking, as specified.

The Governor’s January budget proposed to allocate \$1.1 million in 2024-25 and \$422,000 in 2025-26 and 2026-27 for HCD’s implementation of AB 2011. The Spring Finance Letter revises those allocations with a \$648,000 decrease in 2024-25 and a \$2,000 increase in 2025-26 and 2026-27.

Thus, the Governor’s revised budget proposal for HCD’s implementation of AB 2011 is \$452,000 in 2024-25 and \$424,000 in 2025-26 and 2026-27.

5. AB 2234 (Chapter 651, Statutes of 2022). Planning and Zoning: Housing: Post Entitlement Phase Permits. Requests a General Fund augmentation of \$187,000 for 1 position in 2023-24 and ongoing to implement AB 2234. AB 2234 established time limits for approval of post-entitlement permits, as defined, and required post-entitlement permitting procedures to be available online.

6. AB 2483 (Chapter 655, Statutes of 2022) Housing for Individuals Experiencing Homelessness. The Governor's budget proposes 4 positions in 2023-24 and 2024-25, and 3 positions ongoing beginning in 2025-26. The Spring Finance letter decreased by 1 position in 2023-24 and 2024-25 to correct a technical error. Therefore, the corrected resources should be hiring authority for three positions in 2023-24 and ongoing to implement AB 2483

HCD currently funds six multi-family housing programs – Multifamily Housing Program (MHP); Housing for a Healthy California (HHC); Infill Incentive Grant Program of 2007; Joe Serna, Jr. Farmworker Grant Program (Serna or FWHG); Transit Oriented Development (TOD) Implementation Program; and the Veterans Housing and Homelessness Prevention Program (VHHP) – through a single, streamlined Notice of Funds Availability known as the Multi-Family Finance SuperNOFA or MFSN. AB 2483 requires HCD to provide incentives in the MFSN to applicants that agree to set aside at least 20 percent of a project's units for individuals that are experiencing homelessness, as defined, who are also eligible to receive qualifying services under specified MediCal Waiver programs.

7. AB 2563 (Chapter 657, Statutes of 2022) Planning and Zoning Law: Housing Elements. Requests an augmentation of \$382,000 (General Fund) for two positions in 2023-24 and ongoing, and a one-time \$367,000 consulting contract in 2023-2024 to implement AB 2563. AB 2653 authorized HCD to reject the housing element portion of a planning agency's annual progress report (APR), as specified, and to report specified housing element reporting violations to the Attorney General.

8. SB 6 (Chapter 659, Statutes of 2022) Middle Class Housing. Requests an augmentation of \$212,000 (General Fund) for 2 positions, annually starting in 2023-24 and ongoing to implement SB 6. SB 6, the Middle Class Housing Act, established housing as an allowable use on any parcel zoned for office or retail uses. The Act sunsets in 2033.

Through an April 1 Letter, the Governor requests to decrease this authorization by one position. Thus, the Governor's Budget Proposal for is now for one position at HCD for implementation of SB 6.

9. SB 649 (Chapter 660, Statutes of 2022) Local Governments: Affordable Housing: Local Tenant Preference. Requests an augmentation of \$445,000 (General Fund) annually starting in 2023-24 through 2025-26 for a consulting contract to implement SB 649. SB 649 authorized local governments to enact local tenant preferences in relation to affordable housing created using subsidies from specific government funding sources. At the same time, SB 649 expressly mandated that any such local tenant preference ordinance comply with the Fair Employment and Housing Act and other laws prohibiting

housing discrimination, including the requirement that local governments take affirmative steps to further fair housing.

10. SB 869 (Chapter 662, Statutes of 2022) Housing: Mobilehome Parks: recreational Vehicle Parks: Manager Training. Includes \$1,190,000 (General Fund) for seven positions in 2023-24 and 2024-25, and \$881,000 in 2023-24 and \$131,000 in 2024-25 for consulting contracts. Additionally, HCD requests a Mobilehome and Recreational Vehicle Park Training Fund (Fund 3419) augmentation of \$1,190,000 for seven positions annually in 2025-26 and ongoing, and \$131,000 annually in 2025-26 and ongoing to establish and operate new systems.

SB 869 requires managers and assistant managers of mobilehome and recreational vehicle (RV) parks to complete an online training and renew the training every year. To implement this requirement, HCD must adopt regulations and create the training program. SB 869 authorizes HCD to establish fees for the application, training, and certification process, based on staffing, enforcement, and program needs, to cover costs of administering the training program and to permit qualifying third parties to provide training.

11. SB 948 (Chapter 667, Statutes of 2022) Housing Finance Program: Development Reserves. Provides hiring authority for one position and \$611,000 annually ongoing from the Pooled Transition Reserve Fund starting in 2023-24. SB 948 replaced individual project transition reserves for the development of affordable housing to a pooled reserve model, as specified.

12. SB 1307 (Chapter 669, Statutes of 2022) HCD: Mobilehome Parks Act: Special Occupancy Parks Act. Provides a one-time augmentation of \$50,000 in 2023-24 for a consulting contract with a translation service to implement SB 1307. SB 1307 required HCD to post on its website and send an annual notice to local jurisdictions on how a local jurisdiction can assume responsibility for enforcement of health and safety standards at mobilehome parks and RV parks (also known as special occupancy parks).

The Spring Finance letter corrects the fund source for the consulting contract

13. Administrative Support. Proposes \$812,000 (General Fund) for 6 positions in 2023-24 and ongoing to support ongoing business needs due to the passage of various bills. The acceptance of the requests for resources for the various enacted legislation presented in 1-12 above, will result in an additional 25 positions for the program areas of HCD in 2023-24 and 2024-25, and 23 positions in 2025-26 and ongoing. In order for HCD to maintain adequate administrative support of the additional positions, HCD's administration and management division is requesting 6 positions. This administrative support ratio of 6:1 for 2023-24 and 2024-25, and 5:1 for 2025-26 and ongoing ensures adequate administrative resources are available to administer HCD's various housing initiatives and programs.

14. Technical Budget Bill Changes in Spring Finance Letter. A Spring Finance letter requests that Provision 5 of Item 2240-105-0001 be amended to reference subdivision (e) of Section 53559 of the Health and Safety Code rather than subdivision (d). It is also requested that Provisions 1 and 3 of Item 2240-124-0001 be amended to provide an

extended encumbrance period to June 30, 2028, instead of June 30, 2027, to align the encumbrance availability with funding providing in the 2022 Budget Act. It is also requested that Provision 2 of Item 2240-124-0001 be deleted.

Attachment 2

Amend Provision 5 of Item 2240-105-0001 as follows:

"5. Of the funds appropriated in this item, \$38,750,000 shall be allocated to fund grants pursuant to subdivision ~~(d)~~ (e) of Section 53559 of the Health and Safety Code."

Attachment 3

Amend Provisions 1, 2, and 3 of Item 2240-124-0001 as follows:

- "1. The funds appropriated in this item shall be for the Veterans Housing and Homelessness Prevention Program and shall be available for encumbrance or expenditure until ~~June 30, 2027~~ June 30, 2028.
2. ~~The Department of Finance, upon notification to the Joint Legislative Budget Committee, may decrease the amount appropriated in this item and increase Item 2240-102-0890 by a like amount if additional federal funding is received pursuant to Section 3201 of the federal American Rescue Plan Act of 2021 (P.L. 117-2) and the use of the federal funds is consistent with the purpose of the funding appropriated in this item.~~
3. Upon order of the Department of Finance, up to 5 percent of the funds appropriated in this item may be transferred to Item 2240-001-0001 for the costs to administer the Veterans Housing and Homelessness Prevention Program, and shall be available for encumbrance or expenditure until ~~June 30, 2027~~ June 30, 2028."

STAFF COMMENT

1. AB 1654. The request is roughly consistent with General Fund costs projected during consideration of AB 1654 by the Senate Appropriations Committee.

2. AB 1738. The amount requested is roughly consistent with projections during consideration of AB 1654 by the Appropriations Committee, which were: (1) annual costs of approximately \$198,000 and 1.0 PY of staff for fiscal years 2023-24 and 2024-25 to research, develop, and propose for adoption building standards and associated regulatory documents for EV charging in existing multifamily dwellings, hotels, and motels, including engagement with stakeholders and coordination with other state agencies; and (2) one-time contracting costs of approximately \$200,000 to conduct a study of the existing conditions related to EV charging and determine whether existing infrastructure can support the increased demand."

3. **AB 1978.** The amount requested is consistent with roughly consistent with projections during consideration of AB 1654 by the Senate Appropriations Committee.
4. **AB 2011.** After the proposed revisions, the amount requested is slightly, but not significantly, higher than projections during consideration of AB 2011 by the Appropriations Committee.
5. **AB 2234.** Requested resources are consistent with the Appropriations analysis as the bill moved through the policy process.
6. **AB 2483.** The authority requested is somewhat lower than projections during consideration of AB 2483 which were: (1) costs of \$727,000 and 4.0 PY of staff in the first two years and \$534,000 annually ongoing to plan coordination with DHCS, assist with data collection and program evaluation review, and ongoing implementation activities; and (2) one-time consulting costs of approximately \$300,000 for an independent evaluator to collect and analyze data that HCD can use to assess tenant outcomes. The Subcommittee may wish to ask HCD to comment on why the resources are lower.
7. **AB 2563.** The amount requested is higher than projections during consideration of AB 2483. The cost increase is related to the consulting contract, which HCD describes as being for “proactive outreach to jurisdictions to communicate APR reporting requirements, review APR criteria, and assist in completion of APR forms.”
8. **SB 6.** The revised proposal is consistent with the staffing requirements as the bill made its way through the Legislature.
9. **SB 649.** The resources are is significantly lower than the projections during consideration of the bill. The Subcommittee should request that DOF comment on the differences in resources. Also the Subcommittee should ask how the efforts by HCD on this issue will differ from the work at the Civil Rights Department.
10. **SB 869.** The resources provided are consistent with the resources outlined by the Appropriations Committee as the bill moved through the legislative process.
11. **SB 948.** The resources provided are consistent with the resources outlined by the Appropriations Committee as the bill moved through the legislative process.
12. **SB 1307.** The resources provided are consistent with the resources outlined by the Appropriations Committee as the bill moved through the legislative process.
13. **Administrative Support.** These resources were not discussed as the bill made their way through the policy process. The Subcommittee may wish to ask DOF how they account for administrative needs as policy moves through the Legislative process.
14. **Technical Changes.** Staff has no concerns with the technical changes.

Staff Recommendation: Approve January budget items with Spring Finance modifications for all items except for 6, 9, and 13. Hold Open 6, 9, and 13.

ISSUE 5: SPRING FINANCE TRAILER BILL LANGUAGE TECHNICAL ADJUSTMENT PROPOSALS

This item summarizes three “technical” trailer bill proposals included with Spring Finance proposals.

PANEL

- Pedro Galvao, Deputy Director of Legislation, HCD
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst’s Office
- Andrew March, Principal Program Budget Analyst, DOF
- Hannah Kohanzadeh, Finance Budget Analyst, DOF

BACKGROUND

The three technical changes trailer bills are related to the following:

Excess sites Local Government Matching Grants Program. Existing law requires all state agencies and departments to annually review all proprietary state lands under their jurisdiction (Government Code Section 11011). Agencies must report all lands in excess of foreseeable need to DGS for inclusion in the Statewide Property Inventory (SPI) and certify the accuracy of this information on an annual basis. Executive Order N-06-19, SB 561 (Dodd), and AB 2233 (Quirk Silva) further require DGS to create and regularly update a digitized inventory of excess state-owned parcels suitable for affordable housing. During the development of the Excess Sites Local Government Matching Grants (LGMG) program, the funding source was changed from Federal ARPA funds to General Fund.

Despite this change, the expenditure date required by the ARPA funds (June 30, 2024) was codified in statute. This proposal would allow the program to be continuously appropriating, subject to allocation of funds by the legislature as opposed to remaining bound by the ARPA expenditure deadline that no longer applies. This proposal would also correct an issue with misaligned deadlines created by AB 2233 which would have HCD and DGS identify potential state-owned sites for affordable housing development prior to surveying the state’s properties.

1. This TBL proposes to:
 - a. Remove the statutory expenditure deadline described in HSC 50704.83(c) and the sunset of the reporting deadline in 50704.83(a)(1) allowing the program to be continuously appropriating, subject to allocation of funds by the legislature.
 - b. Modify the deadline in subdivision (c) of the newly created Government Code 14684.3 from January 1, 2024 to “Upon the conclusion of each comprehensive survey conducted pursuant to subdivision (b)” to further

align language with SB 561 and remove any sequencing concerns within the bill. Additionally, language would be added to allow for annual updates as additional parcels are determined to be suitable for development.

2. **Infill Infrastructure Grant Program of 2019.** This TBL proposes to remedy two drafting errors related to the Infill Infrastructure Grant program of 2019 in AB 157 (2022). As currently in print, the Infill Infrastructure Grant of 2019 has two errors which could confuse applicants, and hinder program administration by the Department. The changes are outlined below:

- a. Removes the reference to qualifying infill projects in 53599(d)(1) and make additional conforming changes.
- b. Replaces the reference to catalytic QIPs in 53599(f)(1)(C)(iv)(II) with a reference to QIPs in catalytic qualifying areas.

3. **CalHome and Joe Serna Jr. Farmworker Housing Grant Program.** This TBL makes two changes to existing law:

- a. Allows for-profit developers to apply for Joe Serna, Jr. Farmworker Housing Grant Program (Serna) program funds,
- b. Conforms the definition of rural in Health and Safety Code with current terminology use.

STAFF COMMENT

The Administration has packaged these trailer bills as technical but there are a few questions that staff is trying to clarify including:

1. What is the best definition of rural to use for the Serna program?
2. Are there any issues with allowing for-profit developers apply for Serna programs consistent with rules for the Multifamily housing program?

Staff Recommendation: Hold Open.

ISSUE 6: SEPARATE THE CALIFORNIA HOUSING FINANCE AGENCY FROM THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT TRAILER BILL LANGUAGE

The Governor's budget proposes trailer bill to update Departments under the jurisdiction of the Business, Consumer Services and Housing Agency as well as to move California Housing Finance Agency under Agency instead of the Department of Housing and Community Development.

PANEL

- Andrew March, Principal Program Budget Analyst, DOF
- Hannah Kohanzadeh, Finance Budget Analyst, DOF
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

BACKGROUND

Since July 1, 2013, pursuant to the Governor's Reorganization Plan No. 2 of 2012, CalHFA budget has been displayed, for budgetary purposes only, within HCD's budget, and reported to the Business Consumer Services and Housing Agency.

The trailer bill proposes the following:

1. Adds the California Housing Finance Agency under Business, Consumer Services and Housing Agency (Agency) and removes Cal-HFA from under the Department of Housing and Community Development.
2. Updates statute to reflect previous changes as follows:
 - a. Renames the Department of Business Oversight to the Department of Financial Protection and Innovation
 - b. Adds the Department of Cannabis Control and the Cannabis Control Appeals Panel to update the statute to reflect previous changes in law.
 - c. Deletes the Alfred E. Alquist Seismic Safety Commission to reflect previous changes in law.

STAFF COMMENT

The 2023-24 budget displays the budgets for Cal-HFA and HCD separate budgets consistent with this proposal.

The Subcommittee may wish to ask the Agency whether there are any shared resources between HCD and CalHFA that will be affected by this separation?

The Subcommittee may wish to ask CalHFA and Agency whether it is appropriate to place CalHFA under Agency or whether they operate independently and do not fit the proposed alignment?

Staff Recommendation: Hold Open.

ISSUE 7: HOUSING PROGRAM REPORTING REQUIREMENTS TRAILER BILL LANGUAGE

The Governor's budget proposes trailer bill language to require the Department of Housing and Community Development instead of the Department of Finance to report on prohousing jurisdictions.

PANEL

- Andrew March, Principal Program Budget Analyst, DOF
- Hannah Kohanzadeh, Finance Budget Analyst, DOF
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

BACKGROUND

This bill:

1. Requires the department to publish a list of programs that must award prohousing jurisdictions additional points or preferences on its internet website instead of the Department of Finance.
2. Requires the department to publish a list of programs, if any, where eligibility for funding is contingent, instead of the Department of Finance.

Existing law:

1. Requires the department to determine whether the housing element is in substantial compliance with specified provisions of that law.
2. Requires the department to designate jurisdictions as prohousing pursuant to emergency regulations adopted by the department.
3. Awards jurisdictions that are in substantial compliance with specified provisions and that are prohousing additional points or preference in the scoring of applications for specified state programs.
4. Requires the Department of Finance to annually publish the list of programs that must award prohousing jurisdictions additional points or preferences on its internet website.
5. Requires the Department of Finance to annually publish on its website a list of programs, if any, where eligibility for funding is contingent upon the jurisdiction having adopted a housing element that has been found to be in substantial compliance with the requirements of the Planning and Zoning Law.

STAFF COMMENT

This trailer bill proposes to align reporting requirements with the work that the Department of Housing and Community Development is already doing.

Staff Recommendation: Adopt placeholder trailer bill language.

ISSUE 8: SPRING FINANCE LETTER 2020 COMMUNITY BLOCK GRANT – DISASTER RECOVERY

The Spring Finance Letter includes an augmentation of a Federal Trust Fund of \$231.2 million in 2023-24, and 20 positions in 2023-24, and ongoing. Resources will manage and oversee the distribution of the Community Development Block Grant – Disaster Recovery (CDBG-DR) funds allocated to California to support long-term recovery efforts following the 2020 wildfires. Additionally, this includes provisional language to provide an extended encumbrance period and to allow the transfer of funding for state operations.

BACKGROUND

To implement 2020 CDBG-DR funding, there will be an increased workload in HCD's Division of Federal Financial Assistance (DFFA), which will be addressed with the resources outlined below. Total 2020 CDBG-DR funding of \$231.2 million will be allocated to local assistance. Per HUD's designation, \$201 million of the 2020 CDBG-DR allocation will be used to fund activities through the existing Multifamily Housing Program, Owner-Occupied Rehabilitation Program, Homebuyer Assistance Program and FEMA PA Match. In addition, \$30.2 million of the 2020 CDBG-DR allocation will fund two new programs, Multifamily Housing Mitigation Program the Owner-Occupied Rehabilitation Mitigation Program. In order to administer the 2020 CDBG-DR allocation and fully implement the grant within the required timeframes, HCD requires 20 positions in 2023-24 and ongoing. Required state operations funding for these 20 positions will be allocated through Executive Order transfers for the duration of the grant. These new positions include 15 disaster recovery program staff, 2 positions for legal compliance and risk-management, and 3 positions for administrative and operational support. This request accounts for available resources in existing DR staffing.

Provisional language:

Attachment 1

2240-102-0890—For local assistance, Department of Housing and Community Development, payable from the Federal Trust Fund231,200,000

Schedule:

(1) 1665-Financial Assistance Program231,200,000

Provisions:

1. The funds appropriated in this item shall be available for encumbrance or expenditure until September 16, 2028.
2. Upon order of the Department of Finance, up to \$34,700,000 of the funds appropriated in this item may be transferred to Schedule (2) of Item 2240-001-0890 for state operations and shall be available for encumbrance or expenditure until September 16, 2028.

STAFF COMMENT

The positions are authorized as ongoing, but would need an additional appropriation once the federal funding is expended.

The Subcommittee should ask Finance about the language (2) under the provisional language and the flexibility it provides.

Staff Recommendation: Hold Open.

1700 CIVIL RIGHTS DEPARTMENT**ISSUE 9: HOUSING VOUCHER DISCRIMINATION PREVENTION**

The Governor's budget includes \$602,000 (General Fund) and four permanent positions in 2023-2024, as well as \$595,000 (General Fund) in 2024-25 and ongoing for the purpose of processing additional housing source of income discrimination complaints associated with SB 329, (Mitchell, Ch. 600, Stats. 2019).

PANEL

- Mary Wheat, Chief Deputy Director, CRD
- Adam Romero, Deputy Director, Executive Programs Division, CRD
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Andrew March, Principal Program Budget Analyst, DOF
- Hannah Kohanzadeh, Finance Budget Analyst, DOF

BACKGROUND

The Civil Rights Department (CRD) enforces the state's primary anti-discrimination laws including, of particular relevance to this request, the Fair Employment and Housing Act (FEHA.) As its name suggest, the FEHA prohibits housing discrimination on the basis of disability, race, ethnicity, religion, gender, sexual orientation, among other enumerated characteristics. CRD is statutorily mandated to receive and investigate complaints of housing discrimination. Where CRD determines that discrimination has taken place, it has the authority to seek redress in court on behalf of the complainant and the public interest. CRD can also bring housing discrimination cases on its own initiative.

The FEHA also prohibits rental housing discrimination on the basis of source of income, as defined in the statute. SB 329, Mitchell, Ch. 600, Stats. 2019, changed the definition of source-of-income. As explained by CRD: "[t]he previous definition of "source of income" (SOI) did not include government housing subsidies paid to a housing owner or landlord on behalf of a tenant. [SB 329] removed the exception that allowed landlords to turn away tenants who hold government housing assistance vouchers. In practice, SB 329 requires landlords to accept otherwise-qualified applicants who use such vouchers to pay rent and participate in housing voucher programs." SB 329 is intended to reduce instances in which low-income households obtain a housing subsidy voucher, but are unable to use it to secure housing because of landlords who categorically refuse to consider voucher-holders as tenants.

Because CRD is charged with enforcing the FEHA, SB 329 created a new class of housing discrimination complaints that CRD must investigate. When it determines that discrimination has taken place, CRD must also mediate or litigate the matter.

CRD originally estimated that SB 329 would yield approximately 163 additional annual complaints. The estimated increase in complaints only focused on Section 8; SB 329 also covers other public assistance programs such as the Housing Opportunity for People with AIDS and Veterans Affairs Supportive Housing Program vouchers. Between 2020 and 2021, CRD actually saw an increase of 309 complaints that alleged SOI as a basis for discrimination and/or harassment. So far in 2022, CRD is on track to receive approximately 188 additional SOI-related complaints. SOI-related complaints have more than doubled in the past two years, from 484 in 2020 to 981 in 2022.

STAFF COMMENT

This request is intended to enable CRD to handle the increased caseload.

Staff Recommendation: Hold Open.

ISSUE 10: LEGISLATIVE RESOURCES

This item covers five budget change proposals included in the Governor's January budget for legislative resources.

PANEL

- Mary Wheat, Chief Deputy Director, CRD
- Adam Romero, Deputy Director, Executive Programs Division, CRD
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Andrew March, Principal Program Budget Analyst, DOF
- Hannah Kohanzadeh, Finance Budget Analyst, DOF

BACKGROUND

1. SB 649 (Chapter 660, Statutes of 2022) Affordable Housing Local Tenant Preference. Requests \$1,123,000 General Fund in 2023-24 and \$1,222,000 in 2024-25 and 2025-26 to implement the provisions of SB 649.

SB 649 explicitly authorized local governments to enact local tenant preferences in relation to affordable housing created using subsidies from specific government funding sources. At the same time, SB 649 expressly mandated that any such local tenant preference ordinance comply with the FEHA and other laws prohibiting housing discrimination. This includes FEHA's requirement that local governments take affirmative steps to further fair housing.

As the state entity charged with these housing discrimination laws, CRD anticipates that the enactment of SB 649 will result in an increase in its workload, as it receives complaints and/or initiates investigations of new or existing local tenant preferences that may not comport with those housing discrimination laws. Moreover, CRD expects such cases to be costly to undertake. Its request states that:

Such investigations and civil actions will be complex and resource-intensive, involving, for example, substantial investigative discovery, such as interrogatories, requests for production, and document review; research, data collection, and data analysis to determine whether a particular local tenant preference is having an unlawful disparate impact; and substantial legal briefing. Such investigations and lawsuits generally require outside experts and take several years to resolve.

2. AB 2188 (Chapter 392, Statutes of 2022) Cannabis Discrimination in Employment. Requests \$1.7 million General Fund in 2023-24, 2024-25, and 2025-26 to implement the provisions of AB 2188.

AB 2188 made it unlawful for an employer to discriminate against a person in hiring or any term or condition of employment based upon: the person's use of cannabis off the job and away from the workplace or the result of a drug screening test required by the employer that finds the person to have non-psychoactive cannabis metabolites in their hair, blood, urine, or other bodily fluids. Because AB 2188's provisions are nested within the Fair Employment Housing Act (FEHA), CRD has responsibility for enforcing them.

Based on its experience enforcing the FEHA, CRD estimates that AB 2188 will result in 200 to 300 additional intakes needing investigation each year. This budget request reflects the additional resources CRD believes it will need to handle this anticipated increase in caseload.

3. AB 1041 (Chapter 748, Statutes of 2022) and AB 1949 (Chapter 767, Statutes of 2022) Leave from Work Laws. Requests \$1.2 million General Fund in 2023-24, 2024-25, 2025-26 to implement the provisions of AB 1041, Wicks, Ch. 748, Stats. 2022, and AB 1949, Lowe, Ch. 767, Stats. 2022.

CRD enforces the state's primary civil rights laws including, of particular relevance to this request, the Fair Employment and Housing Act (FEHA). The FEHA includes some of California's workplace leave laws. Two pieces of 2022 legislation – AB 1041 and AB 1949 added to those workplace leave laws. CRD is requesting resources to be able to respond to complaints alleging violations of these new workplace leave provisions.

AB 1041 expanded the California Family Rights Act (CFRA) which, as explained by CRD, provides eligible employees with up to 12 weeks of job protected leave to care for their own serious health condition or that of a family member or to bond with a new child. Prior to AB 1041, an eligible employee could take CFRA leave to care for a child, spouse, domestic partner, parent (including a parent-in-law), sibling, grandparent, or grandchild. AB 1041 expanded the people for whom an employee can take CFRA leave to include at least one "designated person" who is related to the employee by blood or whose association with the employee is the equivalent of a family relationship. Based on its experience with existing CFRA provisions and on extrapolations from New Jersey data, where a similar law was recently enacted, CRD estimates that it will receive 150 additional intakes related to AB 1041.

AB 1949 adds a new section to the FEHA which provides eligible employees with up to five days of job-protected leave when a family member dies. Based on its experience with CFRA and taking into account that a majority of employers already provide some form of bereavement leave, CRD estimates that it will receive 100 additional intakes in relation to AB 1949.

The leave expansions under AB 1041 and AB 1949 are both subject to CRD's mandatory mediation program for small employers (those with 5 to 19 employees), if the small employer requests it.

4. AB 2448 (Chapter 515, Statutes of 2022) Pilot Program Business Discrimination and Harassment of Customers. Proposes one position, \$245,000 (General Fund) in 2023-24, and \$243,000 in (General Fund) annually through 2027-28, to implement the provisions of AB 2448.

CRD enforces the state's primary anti-discrimination laws including, of particular relevance to this request, the Unruh Civil Rights Act, which prohibits business establishments of any kind whatsoever from subjecting their customers to arbitrary discrimination.

In response to reports of increasing incidents of unlawful harassment and discrimination taking place at California businesses, AB 2448 CRD to establish a pilot program that recognizes California businesses for taking measures to create safe and welcoming environments free from discrimination and harassment of customers. Under the program, CRD is to provide a certificate to businesses that meet specified criteria. These businesses may then prominently display this certificate. The bill also directs CRD to maintain a database of businesses receiving the certificate and to publish the database on its website. Under the terms of the bill, CRD is to evaluate the effectiveness of the program by January 1, 2028. Unless the Legislature elects to renew it, the program will sunset as of that date. CRD's request seeks the necessary staffing and resources, including IT services, to implement the pilot program and conduct the evaluation.

5. SB 1162 (Chapter 559, Statutes of 2022) Reporting Pay. SB 973 (Chapter 363, Statutes of 2020) established a pay data reporting program in California within the FEHA. Under the program, private employers with 100 or more employees must submit annual reports to CRD on the pay, hours worked, job category, race/ethnicity, and sex of their employees. CRD reports that it has successfully run this data collection since 2021 and is already preparing for the third cycle in 2023. As explained by CRD: "California created this system to encourage employers to self-assess pay disparities along gendered, racial, and ethnic lines in their workforce, as well as to promote voluntary compliance with equal pay and anti-discrimination laws. Employers' pay data reports also allow CRD to more efficiently identify wage patterns and allow for effective enforcement of equal pay and antidiscrimination laws when appropriate."

SB 1162 modified the pay data reporting program in two ways that impact CRD's costs for running it. First, SB 1162 increased the number of reports that CRD receives because SB 1162 now requires employers to file a report regardless of whether the employer files a related federal report (the EEOC-1) and because SB 1162 now requires employers to report pay data on employees hired through contract labor if they hired 100 or more employees this way within the prior calendar year. Second, SB 1162 expands the kind of data CRD will receive in each report because SB 1162 requires all employers submitting pay data reports to include median and mean hourly rates of employee groupings by job category, race/ethnicity, and sex.

STAFF COMMENT

1. **SB 649.** The costs estimates for SB 649 is on the lower end considered by the Appropriations committee during the policy process. The Subcommittee may wish to ask the Department how their work will complement the work done by HCD on this issue?

2. **AB 2188.** The requested amount is considerably less than what was anticipated by the Senate Appropriations Committee, which was “ongoing costs of \$3.1 million in Fiscal Year (FY) 2023-24 and annually thereafter.” CRD reasonably explains that it is difficult to predict how many complaints it will receive under this new statute. The amount requested reflects a good faith estimate, but revision may be appropriate in out years if that estimate turns out to be either too high or too low.

3. **AB 1041 and AB 1949.** The requested amount is roughly consistent with cost estimates considered by the Appropriations Committee, which were “likely [...] in the hundreds of thousands of dollars annually” for AB 1041 and “first-year General Fund costs of \$470,000, and \$464,000 annually thereafter” in the case of AB 1949.

4. **AB 2448.** The requested amount is somewhat higher than what was anticipated by the Senate Appropriations Committee. That Committee estimated that the cost to CRD of implementing the pilot would be “in the high tens of thousands through 2027-2028.” AB 2448 underwent significant revisions late in the legislative process. CRD reasonably explains that while it made good faith estimate of costs at the time, subsequent implementation planning has made it clear that somewhat greater costs will be involved.

5. **SB 1162.** The requested amount is roughly consistent with the estimate considered by the Appropriations Committee, which was “costs of approximately \$477,000 in fiscal year (FY) 2023-24, \$548,000 in FY 2024-25 and \$473,000 in FY 2025-26 and ongoing.”

Staff Recommendation: Approve as budgeted all legislative resources except SB. 649. Hold SB 649 Open.

ISSUE 11: PROGRAM 1500 ELIMINATION

The Governor's budget proposes to streamline and create operational efficiencies by permanently transferring funding and spending authority from Program 1500 Department of Justice Legal Services to Program 1490 Administration of Civil Rights Law. This would enable CRD to access these funds for legal representation by entities other than Department of Justice (DOJ), when necessary.

PANEL

- Mary Wheat, Chief Deputy Director, CRD
- Adam Romero, Deputy Director, Executive Programs Division, CRD
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Andrew March, Principal Program Budget Analyst, DOF
- Hannah Kohanzadeh, Finance Budget Analyst, DOF

BACKGROUND

CRD enforces the state's primary anti-discrimination laws including, of particular relevance to this request, the Fair Employment and Housing Act (FEHA.) As its name suggest, the FEHA prohibits employment discrimination on the basis of disability, race, ethnicity, religion, gender, and sexual orientation, among other enumerated characteristics. CRD is statutorily mandated to receive complaints of employment discrimination. CRD proceeds to investigate those complaints unless the complainant elects to bypass administrative enforcement and proceed directly to court by requesting a right-to-sue letter from CRD. Where CRD investigates and determines that discrimination has taken place, it has the authority to seek redress in court on behalf of the complainant and the public interest. CRD's can also bring employment discrimination cases on its own initiative.

The FEHA applies to public employers, including state agencies, in addition to private employers with 5 or more employees.

As it does for other state agencies, the California Department of Justice typically represents CRD in judicial and administrative adjudicative proceedings. In terms of budget accounting, this is handled through the Legal Services Revolving Fund which requires state agencies to allocate money to pay for legal services rendered by the Attorney General. If CRD does not use up its allocation to the Legal Services Revolving Fund, that money reverts to the general fund and is lost to CRD.

If DOJ determines it has a conflict, then it may instruct CRD to engage outside counsel. When the CRD is pursuing a case against a state government agency, DOJ cannot represent CRD because the DOJ must also represent the state government agency, which creates an impermissible conflict of interest. In these situations, CRD cannot utilize

the DOJ's services and must hire outside counsel instead. CRD must utilize other general fund sources of money to cover the resulting cost.

As a result of these dynamics, CRD must dedicate some of its funding to hiring outside counsel, but it does not get this money back in savings from the Legal Services Revolving Fund. Instead, the unspent allocations revert to the general fund.

To address this problem, this budget request seeks authorization for CRD to take the money it currently allocates to the DOJ's Legal Services Revolving Fund and place it instead in a CRD account that supports administration of civil rights law. CRD highlights that this shift would not increase CRD's demand on the general fund for legal representation. CRD would use the same amount of money. CRD would still use DOJ legal services except when DOJ cannot represent CRD due to a conflict of interest. The difference is that CRD would no longer lose access to any amounts that CRD allocated to DOJ legal services but did not end up utilizing.

STAFF COMMENT

The Subcommittee may wish to ask CRD how often it has a conflict with DOJ and has to seek outside representation. If there is a conflict does CRD still have to get permission from DOJ before seeking the outside representation?

Staff Recommendation: Hold Open.

ISSUE 12: WORKLOAD AND ADMINISTRATIVE RESOURCES

The Governor's budget includes two positions, \$441,000 General Fund ongoing to assist with the department's administrative workload including internal audits, and diversity and equity efforts.

PANEL

- Mary Wheat, Chief Deputy Director, CRD
- Adam Romero, Deputy Director, Executive Programs Division, CRD
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Andrew March, Principal Program Budget Analyst, DOF
- Hannah Kohanzadeh, Finance Budget Analyst, DOF

BACKGROUND

According to CRD, in recent years, it has grown in budget, staff, and responsibilities. As a result of this growth, CRD has identified two issues that this request is intended to address.

First, CRD points out that California law recommends an independent internal auditor position to conduct objective, impartial assessments when aggregate spending exceeds \$50 million annually and that CRD's budget surpassed this threshold in 2022-23. More generally, CRD states that "as CRD and its responsibilities have steadily grown in recent years, and attendant systems, programs, and activities have been built, CRD believes it would benefit from a dedicated staff member to evaluate and provide recommendations to improve CRD's operations."

Second, "CRD experienced a higher than average vacancy rate in 2021-22, reaching a high of 28 percent. In response, the department has implemented and increased efforts to fill vacancies, such as continuous filings. Still, the need remains to establish a proactive recruitment position that can identify, solicit, and build relationships with viable candidates in order to recruit highly talented team members across multiple platforms, and to address aspects of hiring which CRD has not previously been able to address - diversity and equity, employee recognition and retention, upward mobility and succession and workforce planning."

With approval of this request, CRD expects to:

- Appoint an internal auditor to independently analyze CRD's programs to ensure integrity and adequate internal control, assess and manage risk, and reduce opportunities for fraud and abuse; and
- Appoint a dedicated HR Recruiter and Diversity and Equity Officer who will enable CRD to reduce its vacancy rate with high-quality and diverse talent.

STAFF COMMENT

The Subcommittee may wish to ask CRD if they have any challenges with recruitment and retention with this staff and where does CRD usually recruit new talent from? Does this present any challenges for the Department?

Staff Recommendation: Hold Open.
