AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION

ASSEMBLYMEMBER JIM COOPER, CHAIR

TUESDAY, APRIL 3, 2018
1:30 P.M. - STATE CAPITOL, ROOM 447

ITEMS TO BE HEARD

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2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

The Governor's budget includes $1.196 billion for the Department of Housing and Community Development (HCD) in 2018-19, an increase of $467.9 million or 64 percent from the current year. HCD is funded from General Fund, Special Funds, and Reimbursements. The California Housing Finance Agency's (CalHFA's) is included for budgetary purposes within HCD's budget, and reports to the Business, Consumer Services and Housing Agency.

ISSUE 1: STATEWIDE HOUSING PACKAGE AND TRAILER BILL LANGUAGE

The budget provides $538.3 million from various funds and 81 positions in 2018-19, $739.9 million and 128 positions in 2019-20, and $796.1 million and 146 positions in 2020-21 and 2021-22, and $796 million and 145 positions in 2022-23, and ongoing to implement recent legislative changes.

BACKGROUND

In 2017, the Legislature passed a package of 15 bills aimed at increasing the affordability of housing in California. The package included proposals to place a general obligation bond on the November 2018 ballot, create a permanent funding source for affordable housing by levying a transaction fee on new real estate transactions, and a variety of regulatory reforms to speed up development and construction of new housing.

SB 2 imposes a fee on recording of real estate documents, excluding sales, for the purposes of funding affordable housing. This fee is to be collected by county recorders and remitted to the state on a quarterly basis. Collections began on January 1, 2018. The first remittances will occur in March of 2018. The Administration has estimated that this fee will raise roughly $129 million in 2017-18 and $258 million in 2018-19.

Funding allocations are specified in statute for the first year of proceeds and on an ongoing basis. These allocations are based on the calendar year in which the fees are collected, and not the state fiscal year in which the funds are expended. Under SB 2, one half of the revenue from the fees collected during 2018 is designated for planning and zoning grants and technical assistance programs, and one half for homelessness programs.

In year two and ongoing, 70 percent of the funds will be distributed directly to locals and 30 percent to the state for farmworker housing, state incentive programs, and mixed income multifamily residential housing affordable to lower and moderate income housing. Should the SB 3 bond be approved by voters in November 2018, proceeds from bond sales shall be split among a variety of currently existing housing and homelessness programs.

The housing package includes a number of bills aimed at holding local governments accountable for accommodating their share of development and ensuring compliance with existing laws. Additionally, the housing package includes provisions that streamline approvals for housing developments that are compliant with existing zoning requirements and meet other specified criteria. These policies contain development costs, increase certainty and reduce project risks, and improve the pace of housing construction.

The bills included in the package are detailed below:

Housing Package Statutes

Statute	Housing Package Component
Dedicated Housing Funding	
Chapter 364, Statutes of 2017 (SB 2)	Create a permanent source of funding for affordable housing with a document recording fee on real estate transactions.
Chapter 365, Statutes of 2017 (SB 3)	Invest in a $4 billion housing bond with $3 billion for affordable housing and $1 billion for veterans housing.
Streamlining Housing Development	
Chapter 366, Statutes of 2017 (SB 35)	Streamline multifamily housing developments with an affordable component in infill areas across the state.
Chapter 369, Statutes of 2017 (SB 540)	Establish Workforce Housing Opportunity Zones to streamline development in priority areas.
Chapter 371, Statutes of 2017 (AB 73)	Form Housing Sustainability Districts to streamline development in infill areas.
Accountability and Enforcement	
Chapter 370, Statutes of 2017 (AB 72)	Allow for interim housing element monitoring; enforce existing housing laws through collaboration with the Attorney General.
Chapter 374, Statutes of 2017 (AB 879)	Improve local reporting on housing outcomes; conduct a fee reasonableness to evaluate local development fees.
Chapter 373, Statutes of 2017 (AB 678)	Strengthen the Housing Accountability Act.
Chapter 368, Statutes of 2017 (SB 167)	
Chapter 378, Statutes of 2017 (AB 1515)	
Chapter 367, Statutes of 2017 (SB 166)	Secure "No Net Loss" in housing element sites inventory.
Chapter 375, Statutes of 2017 (AB 1397)	Promote feasibility of sites included in sites inventory.
Chapter 376, Statutes of 2017 (AB 1505)	Clarify that local governments may adopt inclusionary ordinances that require affordable housing set-asides.
Chapter 377, Statutes of 2017 (AB 1521)	Strengthen preservation requirements on rent-restricted affordable housing units.
Chapter 372, Statutes of 2017 (AB 571)	Support farmworker housing by easing access to tax credit financing and allowing extensions for seasonal housing centers.

TRAILER BILL LANGUAGE

This Governor's budget includes trailer bill language to allocate the first year of funding from SB 2 with the intent of providing a framework for geographic equity.

LAO COMMENTS

Staffing Requests for 2018-19 Seem Reasonable. The staff and resources requested by HCD for 2018-19 seem reasonable given their increase in workload to administer the housing package.

Weighing in on Homelessness Funding. The Legislature could consider providing additional direction to the administration on the distribution of SB 2 homelessness funding.

Uncertainty About SB 2 Revenue. The administration assumes that SB 2 will raise $258 million per year beginning in 2018-19. While the basis of the administration's estimate generally is reasonable, their estimate nonetheless is subject to uncertainty.

Consider Deferring Approval of Spending for 2019-20 and Beyond. Several factors that are important for the Legislature's consideration of the administration's proposal are unclear and are likely to remain so until after the deadline to pass the 2018-19 budget. These factors include (1) the outcome of HCD's stakeholder processes to guide the use of SB 2 funds; (2) what level of funding will be raised from SB 2; (3) how much and how quickly demand will materialize for SB 2 programs (such as land use planning grants, incentive grants, and homelessness funds); and (4) whether or not voters will approve SB 3. Given these uncertainties, the Legislature could consider approving the $16 million and 81 staff for state operations requested for 2018-19, but defer to the 2019-20 budget process its decision on additional staffing augmentations for 2019-20 and 2020-21. Doing so, would allow the Legislature to check back in with HCD regarding its progress on implementation of the housing package.

STAFF COMMENTS

The subcommittee may wish to ask the following questions related to staffing:

- What is HCD's staffing plan to onboard 81 staff in 2018-19?
- What is the current vacancy rate at HCD?

Since the SB 2 funding for homelessness is vague, the subcommittee may wish to ask the following questions related to the one-time funding for SB 2?

- The Governor's budget includes an estimate of the revenues from SB 2, when will we have a better idea of how much revenues will actually be generated from SB 2?
- What is the intent of the SB 2 dollars? Is it the intent to get the funding out during the 2018-19 year? If yes, what is the most efficient way to distribute these funds? Should this one time funding focus on the immediate problem of homelessness through programs such as housing vouchers and emergency shelters or should it be used to build permanent housing for the homeless?
- What programs does HCD currently administer that provides rental assistance or a housing voucher program?

Budget Subcommittee 6 recently had a hearing on funding for housing and homelessness. Can DOF provide an update on how much funding for homelessness will be distributed across all departments during 2018-19?

Staff Recommendation: Hold Open.

ISSUE 2: HOUSING FOR HEALTHY CALIFORNIA (AB 74) AND TRAILER BILL LANGUAGE

HCD requests $450,000 in 2018-19, $927,000 in 2019-20, $477,000 in 2020-21, and $343,000 ongoing from the Federal Trust Fund to implement AB 74 (Chapter 777, Statutes of 2017). The request includes authority for two positions, an interagency agreement with the Department of Health Care Services (DHCS), and a contract with an independent evaluator in 2019-20.

BACKGROUND

AB 74 requires HCD to re-design the NHTF Program and re-establish it as the Housing for Healthy California Program on or before January 1, 2019. The purpose is shifting from assisting new construction of permanent housing for extremely low-income households, to providing supportive housing opportunities for persons experiencing homelessness. AB 74 requires the distribution of NHTF funds for permanent supportive housing as either competitive grants to counties for capital and operating assistance or as direct awards to developers for operating reserve grants and capital loans, or both. Legislation also requires HCD to coordinate with DHCS to collect data, report outcomes, and prepare evaluations/annual adjustments for three years to the federal allocation plan starting in August 2018 to meet program goals.

Under the Housing and Economic Recovery Act, HCD is authorized to "charge certain reasonable fees, such as application, homebuyer counseling, and ongoing rental monitoring." HCD currently uses this authority to charge fees to support long-term monitoring activities for its HOME program, but has no place to deposit the fees collected. In an effort to establish consistency across its federal programs, HCD is submitting trailer bill language with this budget change proposal to authorize -its federal program to charge monitoring fees, and deposit the fees into the Housing Rehabilitation Loan Fund (Fund 0929).

HCD also requests resources to consult with DHCS to carry out the intent of this section. HCD requests additional expenditure authority to reimburse DHCS for one position for half of a year in 2018-19, one year in 2019-20, and one year in 2020-21. The expenditures for reimbursement amount to $87,000 in 2018-19, $134,000 in 2019-20, and $134,000 in 2020-21.

Finally, HCD requests a one-time contract with an independent evaluator totaling $450,000 in 2019-20. This request fulfills the requirement of the bill to contract with an independent evaluator to analyze data collected and determine changes in health care costs associated with services provided by the Program.

TRAILER BILL LANGUAGE

This proposal includes trailer bill language to authorize its federal program to charge monitoring fees, and deposit the fees into the Housing Rehabilitation Loan Fund (Fund 0929)

STAFF COMMENTS

The resources included in this proposal are consistent with the appropriation analysis from last year.

The subcommittee may wish to ask HCD for a status update on the implementation of this bill. Has HCD started work, or are they waiting for the resources included in this BCP?

How will the program be funded in future years should federal funds disappear?

As currently drafted, can this program be used for rental assistance or housing vouchers?

Staff Recommendation: Hold Open.

ISSUE 3: TRAILER BILL LANGUAGE: LONG-TERM MONITORING AND DEFAULT RESERVES

The budget requests $322,000 from the Housing Rehabilitation Loan Fund (0929), 2.0 positions to award funds previously held as default reserves, and 2.0 positions for long-term monitoring for the Veterans Housing and Homelessness Prevention Program (VHHP) and Affordable Housing and Sustainable Communities (AHSC) portfolio. This request includes trailer bill language intended to streamline the administration of long-term monitoring, provide consistency across all rental programs, and decrease the risk of default of affordable housing projects.

BACKGROUND

SB 1121 (Chapter 67, Statutes of 1999), authorized the Multifamily Housing Program (MHP) financing model, in which HCD provides permanent financing for rental housing projects with an affordability requirement of 55-years. The MHP model includes a required annual 0.42 percent interest payment on the loan principal to fund HCDs long-term monitoring efforts. Since 1999, all of HCD's new rental housing construction programs operate under this MHP financing model.

Presently, only the MHP family of programs and the Transit-Oriented Development (TOD) program have collected 0.42 percent interest. Beginning in 2018-19 the AHSC and VHHP projects will transition to long-term monitoring and begin submitting annual 0.42 payments. In the future, NPLH projects will also begin to submit 0.42 payments.

SB 1121 also authorized HCD to set aside up to four percent of funds appropriated for default reserve. The purpose of a default reserve account is to have a resource available to help cure or avert projects from defaulting over their 55-year regulatory period, which would lead to a loss of affordable housing supply. Since funding is appropriated on a program-by-program basis, each has its own default reserve account. Statute has been inconsistent across these programs, with default reserve language ranging from no cap to amounts equal to three percent, not to exceed three percent, or in the case of MHP, four percent. As of June 30, 2017, HCD had $68.5 million in available default reserves, spread across 16 programs. This includes roughly $12 million in legacy programs and non-bond funded programs.

TRAILER BILL LANGUAGE

HCD proposes trailer bill language to streamline the administration of long-term monitoring, provide consistency across all rental programs, and decrease the risk of default of affordable housing projects. Specifically, the trailer bill language will do the following:

- Memorialize authority to collect 0.42 percent monitoring fee for 55-year monitoring activity and establish default reserve accounts for three additional programs.
- Authorize deposits of the 0.42 percent interest monitoring fee, interest, and loan repayments into the Housing Rehabilitation Loan Fund (Fund 0929).

- Allow default reserve funds to be used without program designation restrictions and reduce the risk level of the entire portfolio.

STAFF COMMENTS

The subcommittee may wish to ask the following:

- For the 16 programs, what is considered an adequate amount of default reserve?
- Will pooling long-term monitoring resources result in one program subsidizing another?

Staff Recommendation: Hold Open.

ISSUE 4: VETERANS HOUSING AND HOMELESS PREVENTION PROGRAM

HCD requests $370,000 in 2018-19 and $350,000 ongoing from the Housing for Veterans Fund for two positions to execute loan closings and mitigate litigation costs related to the Veterans Housing and Homelessness Prevention Program (VHHP).

BACKGROUND

In 2008, California voters approved the Veteran's Bond Act of 2008 (Proposition 12), a $900 million general obligation bond intended to help veterans purchase single family homes, farms, and mobile homes through the CalVet Home Loan Program. AB 639 (Chapter 727, Statutes of 2013), restructured the Veteran's Bond Act of 2008, authorizing $600 million in existing bond authority to fund multifamily housing for veterans, with 50 percent serving extremely low-income veterans.

California authorized $600 million in bond authority to be repurposed to fund multifamily housing for veterans through Proposition 41, the Veterans Housing and Homelessness Prevention Bond Act of 2014. Approved by California voters on June 3, 2014, Proposition 41 authorized $600 million in state general obligation bonds to fund affordable multifamily rental, supportive and transitional housing for veterans through VHHP. After setting aside funds for bond issuance costs, default reserves, and program administration, approximately $540 million is available for development assistance and operating subsidies for veterans' rental housing. Since VHHP's implementation in 2014, HCD has issued three rounds of Notice of Funding Available (NOFAs) and awarded $241.7 million in local assistance for the development, assistance, and operating subsidies for veterans' rental housing. This has funded 2,019 units to support over 3,052 homeless veterans with permanent housing and supportive services.

STAFF COMMENTS

The resources included in this request will ensure that HCD has the appropriate staff to execute loan closing costs. The subcommittee may wish to ask HCD to explain why in 2017-18, the VHHP schedule has a 14 month NOFA schedule.

Staff Recommendation: Hold Open.

ISSUE 5: COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM REDESIGN UPDATE

HCD staff will provide an update on the Community Development Block Grant (CDBG) Program redesign.

BACKGROUND

The CDBG program was established by the federal Housing and Community Development Act of 1974, and subsequent legislation and regulations enabled states to administer the program for smaller cities and counties. HCD began administering CDBG for smaller cities and counties in 1992.

According to HCD, 70 percent of the annual CDBG allocation must benefit low-income families and individuals. HCD makes those funds available each year to eligible jurisdictions through both a competitive process and a process for economic development projects.

HCD receives about $429 million in federal CDBG funds annually to provide CDBG awards to small cities and counties throughout the state. The CDBG program allows the state to spend no more than three percent of its federal allocation from CDBG on administration, and requires that all money spent after the first $100,000 be matched by state funds, either directly or in-kind. HCD has indicated that CDBG funds have been very slow to reach grantees for two reasons. First, large amounts of "program income," the gross income received by the grantee and its subrecipients directly generated from the use of CDBG funds, delays the drawdown of new CDBG funds. Second, the small, rural jurisdictions with relatively fewer resources that are eligible under the California program lack the capacity to put CDBG funds to work in a timely manner.

SB 106 (Committee on Budget and Fiscal Review), Chapter 96, Statutes of 2017, took steps to streamline and modify the CDBG program. Specifically, it authorized HCD to adopt guidelines to implement the federal and State CDBG program, subject to approval by the Department of Finance (DOF) and notification of the Joint Legislative Budget Committee (JLBC). It also requires HCD to ensure potential applicants have access to instructions that allow them to successfully compete for CDBG funds set aside for economic development purposes.

HCD convened a CDBG program Redesign Working Group (RWG) to facilitate the redesign process laid out in SB 106, and to ensure that the final outcome meets the needs of both HCD and the various local governments involved in the CDBG program.

STAFF COMMENTS

The subcommittee may wish to ask HCD how the redesign process is working. What is the timeline for completion of the guidelines and how does the federal letter on the program impact the work of the redesign working group.

Staff Recommendation: Informational item only.

ISSUE 6: OTHER PROPOSALS

This item summarizes four budget change proposals currently included in the Governor's January budget.

BACKGROUND

1. **Roberti Affordable Sales Program.** The budget requests a baseline increase in reimbursement authority of $370,000 in 2018-19, and $350,000 ongoing, for staffing expenses to ensure the sale of Department of Transportation (Caltrans) surplus property is maintained as affordable housing. This proposal supports Caltrans administration of the "Roberti Act" Affordable Sales Program on the State Route 710 corridor.

2. **Transactions Unit Fund Shift.** The budget requests a net-zero technical shift of $1,894,000 in expenditure authority among funds to continue workload in the Transactions Unit to restructure and extend previous loans. This request is a net-zero change that moves funds from the Roberti Affordable Housing Fund, the California Earthquake Safety and Housing Rehabilitation Bond Account, and an account within the Housing Rehabilitation Loan Fund to the general Housing Rehabilitation Loan Fund.

3. **Mobilehome Purchase Program Technical Assistance (SB 136).** The budget requests $161,000 in 2018-19, and $151,000 ongoing from the Mobilehome Park Rehabilitation and Purchase Fund for one position to oversee technical assistance grants with potential applicants of the Mobilehome Park Rehabilitation and Resident Ownership Program (MPRROP), pursuant to SB 136 (Leyva), Chapter 766, Statutes of 2017.

4. **Mobilehome Release of Liability (SB 542).** The budget requests $289,000 in 2018 -19, and $259,000 ongoing, from the Mobilehome and Manufactured Home Revolving Fund for three positions to implement the notice of transfer and release of liability provisions of SB 542 (Leyva), Chapter 832, Statutes of 2017.

STAFF COMMENTS

Staff has no concerns with these proposals. However, staff will note that the fiscal analysis of SB 136 was slightly lower than this proposal; and the fiscal analysis for SB 542 was $200,000 less than this proposal. The subcommittee may wish to have HCD briefly comment on the difference in resources.

Staff Recommendation: Hold Open.

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

The Governor's budget includes $31.4 million in 2018-19, for the Department of Fair Employment and Housing (DFEH) an increase of $2.4 million or 8.2 percent from the current year. DFEH receives, investigates, conciliates, mediates, and prosecutes complaints alleging unlawful discrimination in employment, housing, and public accommodation, and acts of hate violence and human trafficking.

ISSUE 7: SYSTEMIC LITIGATION UNIT

The Department of Fair Employment and Housing (DFEH) requests $262,000 in 2018-19, and ongoing to fund one position reclassified from the Federal Trust Fund in order to litigate large scale, systemic discrimination cases in accordance with California Civil Rights laws.

BACKGROUND

DFEH receives, investigates, conciliates, mediates, and prosecutes complaints of alleged violations of the Fair Employment and Housing Act (FEHA), Unruh Civil Rights Act, Disabled Persons Act, and Ralph Civil Rights Act. At the core of the department's mission is the mandate to provide thorough, timely, and fair investigations of discrimination complaints received from the public. The DFEH Enforcement Division is charged with conducting these investigations.

DFEH receives approximately 23,000 employment and housing discrimination complaints annually and is required to investigate all complaints. Approximately 50 percent of the claims are requests for "Right to Sue" letters, in which claimants decide to sue immediately rather than proceed through the DFEH investigation process. DFEH investigates the remaining 50 percent of claims. When DFEH finds that a complaint has merit, FEHA requires that DFEH file a civil complaint within 365 days from the date the complaint was filed.

In addition to handling individual complaints of discrimination that originate through investigations by DFEH's Enforcement, Division, the director of the department also is authorized to bring group and class discrimination cases under Government Code Section 12961 to obtain recoveries for large groups and classes of individuals. Thus, in addition to cases addressing complaints of discrimination that affect only the person filing the complaint, DFEH has, subject to resource constraints, brought a few larger cases. These "systemic" cases are so denominated because of the number of employees or members of the public that are subjected to discrimination due to unlawful policies or practices.

DFEH has brought a handful of high-profile, large systemic cases, often originating as Director Complaints over the last several years. These cases helped thousands of California residents victimized by discrimination and prevented discrimination from continuing against thousands more. These cases also increased the visibility of the department's work and served to educate and caution others engaged in similar practices.

Several of these cases resulted in the award of attorney fees to DFEH in the amount of nearly $1.7 million, which were deposited into the Fair Employment and Housing Enforcement and Litigation Fund. Created in 2012-13, the fund is a repository for attorney fees and costs awarded when DFEH is the prevailing party in a civil action under FEHA. The purpose of the fund is to offset, upon appropriation by the Legislature, the costs incurred by DFEH.

The state currently faces pressing challenges in enforcing its civil rights laws. The Attorney General's annual *Hate Crime in California* report demonstrates that hate crimes in California increased by 11.2 percent in 2016. According to the Attorney General, hate crimes based on racial bias, sexual orientation, and religious bias continue to be serious problems in California. After the presidential election in November of 2016, the Southern Poverty Law Center reported that California had 125 reported hate incidents, the most of any state in the nation.

According to DFEH, there is a growing need to bring systemic cases. These cases involve practices that discriminate against thousands of individuals and involve industries with large numbers of employees, including the motion picture, insurance, retail grocery, and technology industries. However, the ability of DFEH to bring systemic litigation is constrained due to its obligation to process individual complaints of discrimination (which remain at historically high levels). DFEH has a single senior attorney assigned to these cases on a full-time basis, the Associate Chief Counsel for Systemic Litigation.

In the past year, the department identified several potential cases which it desired to bring as large systemic discrimination cases but was unable to do so because of a shortage of senior lawyers with the skills and experience to successfully lead a team to prosecute them.

STAFF COMMENTS

The resources will provide DFEH the resources to bring the systemic cases forward while still addressing their historic workload. Staff has no concerns with this proposal.

Staff Recommendation: Hold Open.

ISSUE 8: LEGISLATION

This item includes two budget change proposals that cover legislation enacted in 2017.

BACKGROUND

1. **Job Applicant Criminal History.** DFEH requests $1.9 million in 2018-19, and $1.2 million ongoing, for nine positions to process additional employment discrimination complaints associated with AB 1008 (Chapter 789, Statutes of 2017).

   AB 1008 amends the FEHA to make it unlawful for all employers - public and private - to seek conviction history information until a conditional offer of employment is made, or to include any questions seeking disclosure of an applicant's conviction history on a job application. It also sets forth rules and procedures regarding how employers may consider conviction history, how employers must notify applicants who are being rejected because of conviction history, and how job applicants may conduct an appeal of the employment denial. The statute exempts certain positions from its requirements. Finally, AB 1008 creates a new class of employment discrimination complaint that DFEH is required to litigate.

2. **New Parent Leave Act.** DFEH requests $218,000 in 2018-19, and $210,000 ongoing, for two positions to process additional complaints resulting from new parent leave labor protections under SB 63 (Chapter 686, Statutes of 2017).

   SB 63 establishes the New Parent Leave Act within the California Fair Employment and Housing Act. SB 63 expands the baby bonding component of CFRA by making it unlawful for an employer with 20 or more employees to refuse to allow an eligible employee to take up to 12 weeks of job-protected parental leave to bond with a new child within one year of the child's birth, adoption, or foster care placement. Employees are eligible if they have at least 1,250 hours of service with the employer during the previous 12-month period and live within 75 miles of the worksite. SB 63 prohibits an employer from refusing to maintain and pay for coverage under a group health plan during the duration of the leave or retaliating against an employee for exercising their SB 63 rights. SB 63 also establishes, upon appropriation by the Legislature, a pilot mediation program for DFEH to mediate claims arising under SB 63. The bill would affect up to 16 percent of the workforce and is aligned with DFEH's mission to ensure and enforce civil rights generally and family and medical leave specifically.

STAFF COMMENTS

The resources included for SB 63 is slightly higher than the appropriation analysis from last year. Staff has no concerns with these legislative priorities.

Staff Recommendation: Hold Open.

ISSUE 9: STATE SUPPLEMENTATION FOR COUNTY ASSESSORS PROGRAM TRAILER BILL LANGUAGE

The Governor's budget proposes trailer bill language for a State Supplementation for the County Assessors Program (SSCAP).

BACKGROUND

The Governor's Budget proposes a trailer bill language to create a new program that would focus on the following:

- Provide county assessors with funding to hire new assessment staff and improve IT systems. This will allow assessors to more accurately value existing property and expeditiously enroll new property, and thereby increase countywide assessed values.

- Higher assessed values mean higher property tax revenue for K-14 schools, which offsets the State's Proposition 98 General Fund obligation.

Program details:

- Three-year pilot program begins 7/1/18 and ends 6/30/21.

- Administered by Department of Finance.

- $5 million appropriation proposed in 2018-19 Governor's Budget. Future funding subject to Budget Act appropriations.

- No single county can receive more than 15 percent of annual appropriation ($750,000).

- Only one application period. Participants will continue in SSCAP until it terminates.

- County match is $1 for each $2 in SSCAP funds received.

The 2014 Budget Act appropriates $7.5 million for the first year of a three-year State-County Assessors' Partnership Program to enhance county property assessment efforts. The purpose of the Program is to ensure that county assessors have the resources necessary to fairly and efficiently administer the county property tax rolls. Fair and efficient administration includes, but is not limited to, the expeditious enrollment of properties that are newly constructed or that change ownership, the timely levying of supplemental assessments when ownership changes occur, the timely reassessment of property to reflect market values, and the defense of assessed valuations that have been appealed. This program sunset in 2017.

STAFF COMMENTS

The California Assessors Association is in support of the new program. This proposal makes amendments to the old program to ensure that more counties apply for grant funding.

Staff Recommendation: Hold Open.

ISSUE 10: PROPERTY TAX BACKFILL

The Budget includes $23.7 million General Fund to backfill the property tax revenue losses that cities, counties, and special districts will incur in 2017-18 and 2018-19 due to the October 2017 wildfires in Northern California.

BACKGROUND

This funding estimate will be adjusted as part of the May Revision as more information becomes available from county assessors. This adjustment also will include backfills for the property tax revenue losses incurred by cities, counties, and special districts in 2017-18 and 2018-19 due to the Southern California wildfires that started in December 2017. Reliable estimates of the property tax impact of those fires were not available when the Budget was finalized.

STAFF COMMENTS

The subcommittee may wish to ask DOF if the adjusted estimates will include damage from the mudslides as well?

Staff Recommendation: Hold Open.

3100 CALIFORNIA SCIENCE CENTER

The Governor's budget includes $34.5 million in 2018-19, for the California Science Center, a decrease of $705,000 or 2 percent from the current year. The California Science Center, the Office of Exposition Park Management, and the California African American Museum, are all located in Exposition Park. For budget purposes, these three departments are collectively known as the California Science Center. The California Science Center is funded through General Fund, Exposition Park Improvement Fund, and Reimbursements.

ISSUE 11: INCREASE CALIFORNIA AFRICAN AMERICAN MUSEUM TEMPORARY HELP

The California African American Museum (CAAM) requests an increase of $175,000 in ongoing Exposition Park Improvement Fund to increase CAAM's Temporary Help beginning in 2018-19.

BACKGROUND

CAAM was chartered by the State of California in September of 1977. The Museum began formal operations in 1981 housed in temporary quarters at the California Museum of Science and Industry (currently known as the California Science Center). The current facility in Exposition Park opened its doors to the public during the Summer Olympic Games of 1984. CAAM researches, collects, preserves and interprets the history, art and culture of African Americans for public enrichment. In addition to its permanent collection of more than 4,500 objects of art, artifacts, and historical documents, CAAM also houses a research library containing more than 20,000 volumes. Over the past 30 years, both the museum and the park have grown and changed substantially.

The safety and security of state property and museum artifacts is a critical issue for the state. In addition, there are unique safety challenges in a culturally specific institutions (e.g., African American or Jewish) that must be factored in and considered. The increased staffing will help to create a more secure environment and positive experience for visitors.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Hold Open.

ISSUE 12: INCREASE CALIFORNIA SCIENCE CENTER REIMBURSEMENT AUTHORITY

The California Science Center requests a $157,000 increase in reimbursement authority; increasing the current authorization from $800,000 to $957,000.

BACKGROUND

During 2016-17, the Department exceeded its reimbursement authority by $80,000. The primary reason for the overage is attributed to higher utility costs associated with facility use and a compounded Consumer Price Index (CPI) increase to the Joint Operational Agreement (JPA) between the Science Center and the Los Angeles Unified School District (LAUSD). The reimbursement increase associated with LAUSD and utilities is $157,000. The Department's request for a $157,000 increase in reimbursement authority will increase its total annual reimbursement authority of $800,000 to $957,000.

The Science Center and LAUSD maintain a Lease and JPA, which stipulates that the state will provide use of its land and facilities and support to the Dr. Theodore T. Alexander Jr. Science Center School, an affiliated charter school, to ensure it is maintained at a level equivalent to other Science Center facilities located within Exposition Park. In consideration for these services, LAUSD agreed to provide up to $400,057 reimbursement to the state for specified maintenance services received based on the Joint Operational Agreement and a proportion of operational costs based on square foot usage. LAUSD occupies 57.5 percent of the space, including 17.5 percent of common space shared with the Science Center. Services include engineering services, electrical services, plumbing services, painting services, grounds keeping, as well as support from other building trades, annual inspections of fire, HVAC, elevator and AQMD inspections, etc. The Science Center requested and the LAUSD approved a compounded CPI adjustment of $106,588 in April 2016; increasing the annual LAUSD reimbursed operating budget from $400,057 to $506,615.

LAUSD's reimbursement of utilities to the Science Center is accounted for separately. The total increase of reimbursable services is $157,000.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Hold Open.

ISSUE 13: INCREASE OFFICE OF EXPOSITION PARK MANAGEMENT AUTHORITY

The Office of Exposition Park Management (OEPM) requests an increase of $435,000 in reimbursement authority for 2018-19 and 2019-20. These funds will be used to provide California Highway Patrol (CHP) law enforcement services at Exposition Park during National Football League (NFL) game days.

BACKGROUND

The OEPM is responsible for public safety operations, parking services management and overall park beautification maintenance In addition, OEPM administers supervision and coordination of park-wide events, and facilitates communication efforts between state, city, county, and private entities represented within the park.

In 2016, the Rams, an NFL team, chose to move from Saint Louis, Missouri to Los Angeles. They selected the Los Angeles Memorial Coliseum as their temporary "home" during the construction of their permanent stadium.

This proposal is consistent with the OEPM's mission, including providing the highest level of public safety possible and efficient management of state property The CHP is the state's highest level law enforcement and policing agency, and it frequently provides security services on state property

The California Natural Resources Agency, Sixth Agricultural District Association and the OEPM entered into a Memorandum of Understanding (MOU) with USC and The Los Angeles Rams, LLC The Los Angeles Rams will pay equivalent USC Football parking rates ($25 instead of $14 [daily rate of $12.00 plus $2.00 security surcharge]), and the OEPM will provide the necessary law enforcement services through the CHP on OEPM operated property during NFL game days.

The OEPM has a contractual obligation to provide these services as long as the Los Angeles Rams pay the parking fees The Los Angeles Rams paid that rate for 2016-17 and 2017-18 Without the presence of CHP, other law enforcement agencies would need to be the lead agencies on state property.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Hold Open.