Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 4 Agenda

Senator Christopher L. Cabaldon, Chair
Senator Roger W. Niello
Senator Lola Smallwood-Cuevas

Thursday, March 27, 2025
Upon Call of the Chair
Room 113

Consultants: Timothy Griffiths

ITEMS FOR VOTE ONLY

ITEMS FOR DISCUSSION

Public Comment

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ITEMS FOR VOTE ONLY

1700 CIVIL RIGHTS DEPARTMENT (CRD)

Item 1: May Lee Office Complex Rent

Issue. The Governor's January 2025 budget seeks an appropriation of $2.3 million in 2025-26 General Fund, and incremental increases after that, to pay the rent for the Civil Rights Department's CRD's headquarters in the May Lee Office Complex in Sacramento, California.

Background. In accordance with long-established state plans, the CRD moved its headquarters from office space it had rented in Elk Grove, California, to the state's new May Lee State Office Complex in Sacramento in July 2024. This budget request is intended to cover the increased rental cost this year and into the future. This is one of a series of budget requests related to moving expenses and rent increases associated with the relocation of state government operations to the May Lee Office Complex. These relocations carry out the Department of General Services' Ten-Year Sequencing Plan which guides a process of state office building renovation and replacement in Sacramento.

Staff Recommendation. Approve as budgeted.

ITEMS FOR DISCUSSION

0509 GOVERNOR'S OFFICE OF BUSINESS & ECONOMIC DEVELOPMENT

Item 2: Lift Sunset on Public Records Act Exemption for Specified California Infrastructure and Economic Development Bank (IBank) Loan Application Documents

Issue. The Governor's January 2025 Budget Proposal includes budget trailer bill language that, in addition to other minor and technical changes to the statutes governing operation of the Climate Catalyst Revolving Loan Fund, would lift the sunset on a California Public Records Act exemption for specified documentation that applicants must submit to the California Infrastructure and Economic Development Bank (IBank) when seeking a loan from the Climate Catalyst Revolving Loan Fund, the Venture Capital Program, or for financing of economic development facilities and public development facilities together with a government entity as sponsor.

Background. IBank provides relatively low-cost financing for a variety of public, private, and hybrid initiatives that the state wishes to promote. The Climate Catalyst Revolving Loan Fund is one source of such financing. The Fund offers financial assistance for projects like buildings, structures, equipment, infrastructure, or other improvements that are "consistent with, and intended to, further California's climate goals, activities, that reduce climate risk, and the implementation of low-carbon technology and infrastructure." There are five categories of project types set forth in the statutes governing the Fund:

- Forest Biomass Management and Utilization
- Climate-Smart Agriculture
- Clean Energy Transmission
- State Energy Financing Institution
- Federal Greenhouse Gas Reduction Fund

For each of these categories, IBank must develop and periodically revise a corresponding "climate catalyst financing plan."

Much of the proposed trailer bill language involves non-substantive amendments that reorganize and clarify the statutes governing administration of the Fund. Elimination of a provision prioritizing loans for energy transmission lines near the Salton Sea, for example, aligns the statute with budget decisions made last year.

The biggest substantive change involves removal of a sunset provision that exempts some of the documents in an application to IBank from disclosure pursuant to the California Public Records Act (CPRA). The CPRA is a law applicable to most state government programs enabling any member of the public to request to see the documents involved in most government proceedings and decision-making, with some exceptions. Since IBank is a state government institution and loan applicants will sometimes be government entities, the CPRA would ordinarily apply to financing applications and IBank's review process. Yet such applications can sometimes involve highly sensitive financial or proprietary information.

To address this problem, there is partial exemption to the CPRA carved out for certain documentation associated with an application to IBank for a Climate Catalyst Loan, a Climate Catalyst Revolving Loan Fund application, a Venture Capital Program application, or an application for "financing of economic development facilities and public development facilities" when the application is made together with a sponsoring government entity. Specifically, the following kinds of documents are exempt:

- a commercial or personal financial statement or other financial or project data received from an actual or potential applicant to the bank, loan recipient, or investment recipient;

- a record containing information regarding a specific financial assistance, bond or loan amount or term, or information received from an applicant or customer pertaining to a contract for financial assistance, bond or loan or an application related thereto, including an investment agreement, loan agreement, or a related document;

- due diligence materials, or information related to customers, and competitors, including summaries, reports, analyses, recommendations, projections, or estimates related thereto; and

- any record containing information claimed to be a trade secret, confidential or proprietary, or to be otherwise exempt from disclosure under this chapter, or under other applicable provisions of law as identified in writing by the information provider.

The exemption does not apply, however, to disclosure of bank-produced documents or materials presented to the bank's board of directors for consideration and approval. The provisions thus appear to strike a balance between keeping sensitive or proprietary information out of the public eye while enabling full public review of the primary documentation driving bank decision-making.

Under existing law, these CPRA exemptions described above would expire on July 1, 2025. The proposed trailer bill language lifts this sunset, thus making the exemption permanent.

Key Questions.

- In addition to lifting the sunset as described above, the proposed budget trailer bill language removes a provision requiring IBank's Climate Catalyst Revolving Loan Fund budget to be prepared and review each year by November 1. Why is this provision proposed for removal? How will IBank's Climate Catalyst Revolving Loan Fund budget operate in its absence?

Staff Recommendation. Hold open.

Item 3: New Spending for CalCompetes Grant Program and Elimination of Individual Grant Cap

Issue: The Governor's January 2025 Budget seeks an allocation to the Governor's Office of Business and Economic Development (GO-Biz) of $60 million in one-time 2025-26 General Fund for CalCompetes grants. In addition, the Governor's Budget Proposal includes budget trailer bill language that would lift the existing cap limiting CalCompetes grant awards to 30 percent of available funds.

Background: The CalCompetes program provides financial incentives for California businesses to remain in the state if they might otherwise leave. It also provides financial incentives to out-of-state business if they agree to relocate here. GO-Biz states that CalCompetes "remains the State's strongest 'deal-closing' tool to attract and retains job-creating firms, with an emphasis on diversity, inclusion, training, and upward mobility."

In the first several years after it was established in 2014, CalCompetes offered all of its financial incentives to businesses in the form of non-refundable tax credits. Under the tax credit structure, CalCompetes gives businesses a reduction on their future state income tax bills in exchange for agreements to make certain capital investments and to hire a certain number of employees in California. If the business carries out the agreements, the business can utilize the tax credits to reduce or eliminate their future state tax bills. If the business does not comply with its agreements, the state recaptures the credits and recycles them back into the CalCompetes program.

For some businesses, however, the non-refundable tax credit structure does not work optimally. Newer companies and those still struggling to make money often do not owe enough in taxes to be able to utilize their tax credits before the credits expire. Similarly, businesses that reinvest earnings back into the company can wind up owing less in taxes than their CalCompetes credits are worth.

To address situations like these, the state added a grant-based component to CalCompetes beginning in 2021-22. Under the grant-based programs, CalCompetes provides direct funding to businesses in exchange for their promise to make investments and to hire in California. Businesses that receive a CalCompetes Grant still have to carry out their investment and hiring agreements, but unlike what happens under the tax credit model, businesses that receive CalCompetes grants get their CalCompetes money even if they end up owing little or nothing in state taxes.

The 2021, 2022 and 2023 Budget Acts all included one-time allocations of $120 million to the CalCompetes Grant program. The 2022 Budget Act also directed GOBiz to prioritize making CalCompetes grant awards to companies in the semiconductor industry in order to capitalize on federal CHIPS Act funding, which requires some form of state-level match. About one third of California Competes grants across 2022-23 ($30 million) and 2023-24 ($51 million) went to semiconductor companies.

In light of the budget shortfall at the time, the 2024 Budget Act did not include any funding for the CalCompetes Grant Program. As a result, GO-Biz will not make CalCompetes grant awards during the 2024-25 fiscal year.

The Governor's January 2025 Budget Proposal seeks to reestablish the CalCompetes Grant program for 2022-26 at $60 million; half the appropriation made in previous years that the program received funding. At the same time, the Administration proposes budget trailer bill language that would allow GO-Biz to make individual CalCompetes grant awards that are larger than 30 percent of the total awards for the year.

LAO Comments: As an initial matter, the LAO observes that recent academic research found the CalCompetes Tax Credit program to be "fairly effective" at increasing employment and providing economic benefit to the state, "especially relative to other tax expenditures programs in California and elsewhere." The LAO ascribes this relative success to CalCompete's strong mechanism for recapturing credits from businesses that do not meet their hiring and investment agreements as well as a process for evaluating applications that helps GO-Biz to make awards that truly provide the "but for" reason for business to remain in, or relocated to California. Since these same conditions are true of the CalCompetes Grant program, the LAO concludes that the grant program "could be similarly effective" and "could create jobs at a time when private sector job growth has been sluggish."

The LAO also believes that removing the 30 percent cap on individual awards is "reasonable," given that the proposed total pool ($60 million) is lower than in past years of the grant program ($120 million) and because it allows GO-Biz more flexibility to award grants to the applications that it determines provide the best return on investment.

However, the LAO ultimately recommends considering this request to fund the CalCompetes Grant program in the context of the broader CalCompetes program and against other budget priorities. If the Legislature does approve the request, the LAO recommends adding requirements to the CalCompetes Grant Program application to help GO-Biz assess whether the applicant could utilize tax credits instead.

Key Questions.

- If the individual award cap is lifted, does this create a risk that the overall success of the program for spurring jobs and investment could become overly dependent on a single business?

- When thinking about growing business investment in the state, how should the Legislature weigh direct subsidies like the CalCompetes Grant program against other investments, such as resources for affordable housing, infrastructure, or higher education, that also make the state more attractive and profitable for business investors?

Staff Recommendation. Hold open both the proposal for new spending and the proposed budget trailer bill language.

Item 4: Potential Savings from Unused CalCompetes Tax Credits

Issue: The CalCompetes Tax Credit program currently receives an annual allocation of $180 million each year through 2027-28. When these tax credits go unused, they are recycled back into the program. This year, due to accumulated underallocation, underutilization, and recapture of prior awards, the CalCompetes Tax Credit program had $645 million available to award to businesses. Reverting some of this amount back to the General Fund could result in budget savings over the next several years.

Background: As explained in the previous agenda item, the CalCompetes program provides financial incentives for business to remain in, or relocate to, California. Under the tax credit program, CalCompetes gives businesses a reduction on their future state income tax bills in exchange for agreements to make certain capital investments and to hire a certain number of employees in California. If the business carries out the agreements, the business can utilize the tax credits to reduce or eliminate their state tax bill.

Since 2018, the state budget has allocated $180 million in tax credits to GOBiz for award through the CalCompetes program. The state's current commitment is to maintain that level of funding through 2027-28.

Not all of the $180 million in CalCompetes tax credits gets used each year. CalCompetes tax credits can go unused in at least three different scenarios: underallocation; underutilization, or recapture. Underallocation happens when GOBiz awards fewer tax credits in a given year than were allocated to it in the budget. Underutilization takes place when a business' tax burden is too low for it to make use of all of the CalCompetes tax credits that were awarded to it. Recapture occurs when a business fails to comply with the investment or hiring agreements that were the prerequisites for obtaining the CalCompetes tax credit award.

The CalCompetes tax credit program is currently structured to recycle any underallocated, undertutilized, or recaptured tax credits back into the program. In other words, any CalCompetes tax credits that go unused one year become available for award again the following year.

This year, as the accumulated result of underallocation, underutilization, and recapture, GOBiz announced that the CalCompete Tax Credit program had over $645 million available to award. This is over three times the annual allocation to the program. If recent trends continue, this amount may further increase in 2025-26. Alternatively, the unused amounts could be treated, in effect, as savings, thus helping to address the predicted outyear budget shortfall. Such savings could be achieved without making any reduction to the annual expected allocation to the CalCompetes tax credit.

The precise impact of restricting the amount of recycling in the CalCompetes tax credit program is unknown, as it would depend on future tax credit utilization and recapture rates among other things. However, the Legislative Analyst's Office reached the following preliminary estimated impact if, beginning in 2025-26, CalCompetes tax credits were no longer recycled back into the program:

Revenue Gain (in millions)						
2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Ongoing
$1M	**$3M**	**$8M**	**$14M**	**$20M**	**$23M**	**$24M**

Staff Comments: The existing recycling effect provides a larger pool of tax credits to award each year, thus enabling GO-Biz to offer financial incentives to more businesses to relocate to, or stay in, California. $645 million goes a lot further than $180 million.

It is also true that since the maximum award to any one business is limited to 20 percent of the overall amount available for award, the bigger pool enables GOBiz to dangle larger incentives in front of companies. If the overall pool consisted of the annual allocation alone, the maximum grant would be just $36 million. This year's pool, including unused tax credits from prior years, allows GOBiz to offer individual companies up to $129 million.

Even recognizing these points, the Subcommittee may wish to inquire whether the growth of the available CalCompetes tax credits is consistent with the Legislature's original and ongoing intent for this program. When the Legislature set the annual CalCompetes tax credit allocation at $180 million, for example, it presumably intended the program to operate at approximately that scale each year. Due to the recycling effect, the program could instead dole out 3.6 times that amount this year. Similarly, in setting the maximum tax credit award to any one business at 20 percent of the total amount available for award, the Legislature presumably imagined that would mean 20 percent of roughly $180 million or $54 million. Instead, as previously referenced, the recycling effect means that CalCompetes can actually award up to $129 million in tax credits to any individual business this year. The Subcommittee may wish to ask whether a subsidy of that size to any individual business is desirable and consistent with the original design of the program.

Staff Recommendation. Information only.

Item 5: Capital Expenses for the National Semiconductor Technology Center Design and Collaboration Facility

Issue. The Governor's January 2025 Budget Proposal seeks $25 million in one-time 2025-26 General Fund to pay for capital expenditures associated with the development of the National Semiconductor Technology Center's Design and Collaboration Facility in Sunnyvale, California.

Background. The federal CHIPS and Science Act, passed in 2022, is designed to foment the domestic production of semiconductors in the United States. As part of this effort, the Act created the National Semiconductor Technology Center (NSTC), a joint public and private semiconductor research and development collaborative, and Natcast, a nonprofit organization tasked with running the NSTC.

One of Natcast's initial assignments was the establishment of three research and development facilities: a design and collaboration facility (DCF), an extreme ultraviolet accelerator, and an advance packaging facility. Natcast conducted a competitive site selection to determine where to locate these facilities. It negotiated with several states, including California, in the process. As part of California's bid, Governor Newsom agreed, among other things, to present this budget proposal.

In late 2024, Natcast announced the selection of Sunnyvale, California as the host for the DCF. Specifically, Natcast has entered into a lease agreement to convert an existing Google facility in Sunnyvale into the new DCF.

As described by the Administration, the DCF will, among other things:

- conduct advanced semiconductor research in chip design, electronic design automation (EDA), chip and system architecture, and hardware security;
- host programmatic activities, including the NSTC Workforce Center of Excellence, Design Enablement Gateway, and a future Investment Fund;
- convene NSTC members and stakeholders from across the semiconductor ecosystem; and
- house various administration functions.

LAO Comment. The LAO recommends rejecting this request. The LAO observes, first of all, that the DCF project is heavily dependent on federal funding and that the continued existence of this funding is uncertain. Second, the LAO points out that the requested amount constitutes a relatively small portion ($25 million) of the overall capital costs for development of the DCF (~$650 million). As a result, the LAO believes that the state contribution contained in this request could have "little to no effect on the ultimate amount of capital investment at the DCF or on the likelihood that Natcast completes the DCF as planned." Ultimately, this means that "the nature and magnitude of the resulting benefits" from a state investment of $25 million in the project are "unclear." This contrasts, in the LAO's estimation, with other potential economic development programs, such as CalCompetes, that appear to show a clearer link to inducing new investments and creating jobs.

Staff Comment: While it may be true that Natcast would proceed fully with its planned investments at the Sunnyvale DCF facility regardless of whether California approves this $25 million contribution, rejecting the proposal would probably reduce the trustworthiness of the state as a partner in this project – and any similarly negotiated project in the future. At the same time, the Legislature may wish to consider what precedent it sets if the Governor is empowered to make offers like the one made here and the Legislature must then choose between going along or undermining the state's trustworthiness as a bargaining partner.

Key Questions.

- How confident is the Administration that the promised federal investments in the Sunnyvale DCF facility will be fulfilled?

- How reliant was Natcast on the state contribution of $25 million when it decided to locate the DCF facility in Sunnyvale?

- Could this appropriation and/or the reimbursement of Natcast's capital expenses on the DCF be made contingent on the federal government honoring its full, existing commitment to invest in development of the DCF facilities in Sunnyvale?

- How does the Administration respond to the LAO's assertion that the nature and magnitude of the benefits resulting from this investment are unclear?

Staff Recommendation. Hold open.

Item 6: Extend CA RISE for Two More Years

Issue. The Governor's January 2025 budget requests an appropriation of $17 million in one-time 2025-26 General Fund to extend operation of the California Regional Initiatives for Social Enterprises (CA RISE) program for two more years.

Background. CA RISE is a program administered by the California Office of the Small Business Advocate (CalOSBA) at GO-Biz. It provides financial and technical assistance to Employment Social Enterprises (ESEs).

As described by the Administration:

> An ESE is a for-profit or non-profit organization that earns revenue through the sale of a good or service produced by employees overcoming barriers to work. Each entity should have a stated mission that they exist specifically for the purpose of providing employment, training, and supportive services to people who face high barriers to work, including homelessness, previous incarceration, chronic poverty, substance use or mental health issues as well as youth transitioning from foster care. Program outcomes are just as important as business outcomes to ESEs.

Some well-known examples of ESEs include Homeboy Industries and the Goodwill.

The concept behind CA RISE is that supporting the establishment and growth of ESEs will help individuals that might otherwise have difficulty obtaining or maintaining a job to secure a lasting foothold in the workforce. CA RISE is based on an earlier program, LA RISE, which has undertaken similar activities since 2014. Both programs rely considerably on the role of REDF, a self-described "nationwide venture philanthropy organization" that provides much of the technical assistance to the ESEs.

The 2022 Budget Act established CA RISE through a $25 million one-time appropriation in the 2022 Budget Act. The program made its first round of awards in 2024. CalOSBA considered 116 ESEs for grants, ultimately awarding 61 ESEs a total of just over $17 million in direct support grants in 2024. Individual grants ranged from $100,000 to $500,000.

According to CalOSBA, approval of this budget request would enable CA RISE to approve an additional 50 ESEs for grants. ESEs that applied for the first round but were not selected for funding would be eligible to reapply. CalOSBA also proposes to conduct outreach to draw in new ESE applicants.

LAO Comment. The LAO suggests that the Legislature consider rejecting this proposal. The LAO points out that the first round of CA RISE was awarded only last year, so there has not yet been time to evaluate the program's success. The LAO further notes "the lack of rigorous evidence in support of long-term benefits from programs like CA RISE," citing third-party studies of LA RISE that showed participants had higher earnings and employment while working for an ESE, but that this did not translate into longer-term benefits after the transitional job ended.

If the Legislature does decide to fund a second round of CA RISE, the LAO recommends directing CalOSBA to:

- collect additional information about the first round of grants;
- avoid funding less-qualified ESEs by evaluating all round two applications without giving priority to round one applicants who were not selected; and
- contract for an independent evaluation of the effectiveness of CA RISE awards.

Key Questions. Committee members may wish to consider asking:

- How is CA RISE distinct from other CalOSBA programming? In particular, if the Legislature elected not to extend the CA RISE program, would ESE's still be eligible to receive technical and financial assistance from other CalOSBA programs?
- Should the Legislature consider waiting to fund further rounds of CA RISE until after results from the first round become available?
- What is the Administration's response to the LAO's assertion that programs like CA RISE have not produced evidence of long-term benefits to workers?

Staff Recommendation. Hold open.

0650 GOVERNOR'S OFFICE OF LAND USE AND CLIMATE INNOVATION (GO-LCI)

Item 7: 2024 Climate Bond (Proposition 4) Expenditures at GO-LCI

Issue. The Governor's January 2025 Budget proposes to allocate part of the money from the 2024 Climate Bond (Proposition 4) to three programs at the Governor's Office of Land Use and Climate Innovation (GO-LCI): the Extreme Heat and Community Resilience (EHCR) program, the Transformative Climate Communities (TCC) program, and Community Resilience Centers (CRC) over the next several years, as detailed below.

Background. In 2024, California voters passed Proposition 4, a bond measure directing $10 billion to projects addressing climate change. The Governor's January 2025 Budget included a multiyear proposal for spending this money across several state departments and programs. This Agenda Item takes up just part of that broader proposal: funding for three programs administered by GO-LCI.[1] Specifically, the Governor's January 2025 Budget proposes to allocate Proposition 4 funding to EHCR, TCC, and CRC as follows:

Chapter 5. Extreme Heat Mitigation

($ in Millions)

Department	Program	2025-26	2026-27	Out-Years	Pending Allocation
Office of Land Use & Climate Innovation	Extreme Heat & Community Resilience Program	$16	$32	$2	$0
	Transformative Climate Communities Program	$0	$69	$81	$0
	Community Resilience Centers	$0.8	$0.4	$59	$0

Each program, the impact of the Governor's Proposition 4 spending proposal on it, and key questions are set forth below.

Extreme Heat and Community Resilience Program (EHCR)

Description: EHCR awards grants on a competitive basis to local, regional, and tribal governments for planning and implementation projects designed to reduce the impacts of extreme heat. According to GO-LCI, such projects may include things like creating extreme heat action plans; providing mechanical or natural shade; increasing surface reflectance; providing passive or low-energy cooling strategies; and promoting evaporative cooling.

[1] The rest of the Governor's proposal for how to spend Proposition 4 money, as well as the Governor's proposal to exempt programs funded by Proposition 4 from the Administrative Procedures Act, will be addressed in other Senate Budget Subcommittees.

EHCRP is administered by the Integrated Climate Adaption and Resiliency Program (ICARP) within GO-LCI.

Governor's Proposal: The first round of EHCRP grants were supported by General Fund appropriations from prior climate packages. GO-LCI reports having $15 million in General Fund and $7.5 million in Greenhouse Gas Reduction Funds on hand to support a second round of EHCRP grants. Under the Governor's proposal, Proposition 4 resources would replace the $15 million in General Fund for round 2 of EHCRP, thus freeing up that $15 million in General Fund for use elsewhere in the budget. The Governor's proposal would then add $1 million more in Proposition 4 money to round 2 of EHCRP, for a total of $16 million available in fiscal year 2025-26. Another $34 million in Proposition 4 funding would be available for further rounds of EHCRP grants in the future. The total, $50 million, is the entire amount allocated to EHCRP by Proposition 4. (Pub. Res. Code § 92510.)

Key Questions:

- What data does LCI currently collect about the effectiveness of EHCRP projects on mitigating extreme heat? Is this sufficient information to evaluate whether the projects are cost-effective and achieve the intended benefit? If not, what additional metrics should the Legislature consider requiring?

- Does the Governor's proposed balance of $16 million in 2025-26 funding versus $34 million in out-year funding strike the right balance between short-term and longer-term programmatic need?

Transformative Climate Communities Program (TCC):

Description: TCC is a competitively based grant program that funds development and infrastructure projects designed to achieve environmental, health, and/or economic improvements in those communities most impacted by pollution. TCC projects include things like, affordable and and sustainable housing developments; transit stations and facilities; electric bicycle and car share programs; solar installation and energy efficiency; water-energy efficiency installations; urban greening and green infrastructure; bicycle and pedestrian facilities; recycling and waste management; health equity and well-being projects; brownfield redevelopment; community microgrids; and indoor air pollution reduction. Once a TCC grant has been awarded, an evaluation team monitors the resulting greenhouse gas emissions reductions and other possible benefits. There have been five rounds of the TCC grant awards with the most recent round going out in late 2023.

TCCP is administered by the Strategic Growth Council within GO-LCI.

Governor's Proposal: Proposition 4 dedicates $150 million for additional rounds of TCC. (Pub. Res. Code § 92520.) Because the Strategic Growth Council did not already have plans for another round of TCC awards in 2025-26, the Governor's January 2025 Budget does not propose appropriating Proposition 4 funding to the TCC program until 2026-27, when the next round of awards could be made. Under the Governor's proposed timetable, $69 million would be available for TCC awards in 2026-27, followed by $71 million in 2027-28.

Key Questions:

- Beyond estimated greenhouse gas emissions reductions, what data does GO-LCI currently collect about the effectiveness of TCC projects? Is this sufficient information to evaluate whether the projects are cost-effective and achieve the intended benefit? If not, what additional metrics should the Legislature consider imposing?

- Does the Governor's proposed timeline for distribution of Proposition 4 money to TCC make sense? Are there ways to move the money more quickly or more strategically?

Community Resilience Centers:

Description: The CRC program offers competitive grants to support the creation of strategically located community resilience centers at facilities such as senior centers, youth centers, parks, libraries, health clinics, hospitals, schools, town halls, food banks, homeless shelters, and childcare facilities. (Pub. Res. Code § 92550.) Winning projects are supposed to provide "integrated delivery of emergency response services" during disruptive events like a disaster, a state of emergency, or a power outage. These services include things like zero-emission backup power, drinking water, clean air, cooling, food storage, shelter, telecommunications and broadband services, economic assistance, accommodation of pets, and other health protection measures and emergency resources.

The Strategic Growth Council within GO-LCI is tasked with administering the CRC grant program in coordination with the Office of Emergency Services.

Governor's Proposal: Proposition 4 allocated $60 million for additional rounds of CRC grant awards. Rounds 1 and 2 of the CRC program were supported with General Fund appropriations of $100 million and $75 million. GO-LCI made Round 1 awards and is in the process of administering Round 2. It does not anticipate putting together another CRC round until after the 2026-27 fiscal year. Accordingly, the Governor's proposal for Proposition 4 CRC funding involves minimal appropriations to the program in 2025-26, and 2026-27, but sets up for a Round 3 of CRC grants with a $55 million allocation in 2027-28.

Key Questions:

- What data does GO-LCI currently collect about the effectiveness of CRC projects? Is this sufficient information to evaluate whether the projects are cost-effective and achieve the intended outcomes? If not, what additional metrics should the Legislature consider requiring?

- Does the Governor's proposed timeline for distribution of Proposition 4 money to CRC make sense? What are the benefits and drawbacks of appropriating most of the funding in fiscal year 2027-28?

LAO Comment. With respect to the Governor's overall plan for spending Proposition 4 resources, the LAO finds that it "generally strikes a balance between quick distribution of funds and thoughtful implementation of programs." However, the LAO recommends that the Legislature:

- only approve multiyear spending proposals for "existing and well-defined" programs;
- consider adding statutory language to guide bond spending where the bond language grants discretion;
- consider requiring enhanced reporting requirements to determine if programs are successfully addressing climate goals;
- weigh proposals to shift existing funding sources onto Proposition 4 in the context of the overall budget and legislative priorities.

Applying these recommendations to the three specific programs addressed in this Agenda Item, the LAO points out that Proposition 4 funds these program directly with little discretion involved. The LAO also appears to recognize the three programs as examples of "existing and well-defined" programs for which multiyear appropriations may be appropriate to create certainty and allow for planning.

With respect to the need for enhanced reporting requirements, however, the LAO points out that:

> adapting to extreme heat is a relatively new and very significant climate challenge the state is facing. Proposition 4 includes funding for community resilience centers to address the impacts of extreme heat. Because this is a somewhat new activity, however, the state still lacks information regarding how effective this strategy is at mitigating the threats that higher temperatures pose to public health, particularly compared to other approaches the state could take with the same objectives. For example, to what degree will people use these centers during extreme heat events, and what features or components might make their use more convenient, widespread, and effective? Evaluation of climate-related spending could help the state understand how to target future funds in a cost-effective manner. Proposition 4 provides the chance for evaluation and learning, but requires adequate data collection along the way.

Finally, the LAO's recommendation regarding evaluating fund shifts in the context of the overall budget is applicable to the Governor's proposal to substitute $15 million in Proposition 4 money for $15 million in General Fund currently allocated to EHCRP. The advisability of freeing up this General Fund depends upon what it will be spent on instead, including the possibility that it is needed for savings in the event that a deficit emerges later in the budget cycle.

Staff Recommendation. Hold open.

0680 Governor's Office of Service & Community Engagement (GO-Serve)

Item 8: Expansion and Indefinite Continuation of College Corps

Issue. The Governor's January 2025 Budget seeks a $5 million one-time General Fund augmentation for the College Corps program in 2025-26 (for a total 2025-26 General Fund appropriation of $68 million); followed by annual appropriations of $84M in General Fund to the program after that.

Background. College Corps is a CalVolunteers program providing students at 45 California colleges and universities with $10,000 per year in combined scholarships and living allowances in exchange for carrying out 450 hours of service at placements in community organizations. Additional College Corps elements include cohort gatherings, mentoring, professional development, access to an alumni network, and, in some cases, academic credit.

To be eligible for College Corps, students must attend a participating school, which includes a mixture of UC campuses, CSUs, community colleges, and a handful of private institutions. Successful applicants must also demonstrate some financial need, as shown by (1) qualifying for a Pell Grant, Cal Grant, or Middle Class Scholarship; (2) having to work part time to pay for college; or (3) having to take out student loans.

College Corps is currently operating its third cohort. Over 10,000 students applied to this cohort. Of those, roughly 3,400 were accepted. Though no statutory regime governs the College Corps program, CalVolunteers reported three objectives for its student participants to the LAO:

- help low- to moderate-income students graduate college on time with less debt;
- create a generation of civic-minded leaders; and
- address societal challenges and build more equitable communities across California.

CalVolunteers indicated that, as part of an external evaluation of the first two College Corps cohorts, students reported a deeper commitment to community service and career development progress.

College Corps began as a pilot program established by the 2021 Budget Act and has operated under one-time General Fund appropriations since then.

The Governor's January 2025 Budget Proposal seeks to add $5million to College Corps' existing appropriation in 2025-26, for a total of $68 million. GO-Serve indicates that this augmentation would be used to add 10 additional campuses to the program and expand the cohort to 4,000 members annually.

The Governor's January 2025 Budget Proposal also asks to make the College Corps program permanent through an annual, ongoing appropriation of $84 million in General Funds starting in 2026-2027. Without this funding, the program is scheduled to come to an end in summer 2026 at the conclusion of the fourth cohort.

LAO Comment. The LAO recommends rejecting both elements of this request. While recognizing the benefits that College Corps can provide to students and communities, the LAO highlights three reasons why it concludes the program does not pass the "high benchmark" that it believes proposals for new funding must clear in the current budget environment:

- High administrative costs. The LAO calculates that of the $84 million in annual, ongoing General Fund resources that this budget request would provide from 2026-27 on, $45 million would be used for administrative costs. The Administration disputes the characterization of all of these costs as "administrative." It asserts that many of them are programmatic in nature.

- Alternative volunteer and financial aid opportunities exist. The LAO points out that several other programs offer California students similar opportunities and benefits. Cal Grants and the Middle Class Scholarship, for example, provide both tuition and non-tuition financial aid. Many campus also have community service programs. For AB 540 students specifically, the California Dream Act Service Incentive Grant (DSIG) program offers financial aid contingent on community service, much like College Corps. While DSIG only provides $4500 in financial aid, students only have to perform 300 hours of service (in contrast to the 450 for College Corps). CalVolunteers stresses that College Corps provides a more holistic experience for its students through things like membership in the cohort, mentoring, and professional development opportunities.

- The alternative programs are "very likely are serving many more students at a lower cost." Combining the first two points above, the LAO ultimately concludes that the alternative programs, with lower expenses per student, may represent a better investment of state dollars.

Key Questions.

- How do you respond to the LAO's assertion that College Corps operates with high administrative costs and is more expensive to run than other, similar volunteer and financial aid programs?

- Is there a way to reconfigure the program to lower administrative costs and increase the amount of money going to students?

- How is College Corps different from other existing volunteer and financial aid programs?

- Would all potential future College Corps participants be able to access alternative volunteer and financial aid programs if College Corps is not expanded and/or continued? Or will some students lose access to this type of opportunity? If so, does this loss of access affect any one subgroup of students more than others?

Staff Recommendation. Hold open.

Item 9: Creation of Belonging Campaign

Issue. The Governor's January 2025 Budget Proposal seeks $5 million in one-time General Fund for the Office of Community Partnerships and Strategic Communications (OCPSC) at the Governor's Office of Service and Community Engagement (GO-Serve) to operate a new Belonging Campaign to "identify pathways to social connectedness and engagement."

Background. According to the Administration, California communities "currently face a wide range of intersecting issues including a growing disconnected youth population, a loneliness epidemic, and continued feedback from community leaders that awareness of government support services is low and accessing them continues to be a challenge." To address these issues, the Administration states that "California needs a coordinated effort that can better connect with communities to address these issues and realize more inclusive outcomes for a more equitable and engaged public." The proposed Belonging Campaign is apparently intended to provide such a coordinated effort.

Although the precise nature and scope of the proposed campaign is not clear, some of the elements mentioned in the Administration's Budget Change Proposal include:

- circulating OCPSC's recently launched California Community Resource Guide;
- sharing opportunities to participate in CalVolunteers programs;
- creating an umbrella brand for various initiatives the state is already undertaking on belonging; and
- engaging community partners to increase awareness of state programs that already work to engage community.

LAO Comment. The LAO recommends rejecting this proposal. The LAO believes that the current budget environment requires adopting a "high bar" for discretionary spending, but even without applying this high bar, the LAO concludes that the proposed Belonging Campaign lacks sufficient justification based on the "lack of clarity" about "what problem the proposal is intended to address, why more outreach about state programs is needed, how funds would be used, or how success could be measured."

Key Questions.

- What, more specifically, would the program seek to accomplish and what metrics would be used to measure program performance? How would the program establish "a baseline for belonging in the state?"
- As described in the Administration's Budget Change Proposal, the most concrete goal of the campaign would be to increase the number of participants in CalVolunteers programs.

Do the CalVolunteers programs not already have funding for this sort of outreach? How would this campaign go beyond simply recruiting for CalVolunteers?

- What could the program realistically accomplish is a single year? Should the Legislature assume that more funding will be sought for the program in future years?

- What would the establishment of an umbrella brand for existing “belonging” initiatives accomplish?

Staff Recommendation. Reject.

1700 Civil Rights Department (CRD)

Item 10: California v. Hate Reporting and Resource Hotline

Issue. The Governor's January 2025 budget seeks a one-time appropriation of $2.4 million in 2025-26 General Fund for the Civil Rights Department (CRD) to operate the California vs Hate Resource Line (CA vs Hate) for an additional year.

Background. The CA vs. Hate hotline is a system that allows individuals and organizations in California to report hate crimes and incidents over the phone or online. In response to these reports, trained operators offer the person making the report follow-up options such as making a police report, submitting a complaint to CRD, filing a claim with the California Victims of Crime Compensation Board. CA vs. Hate operators can also provide the person making the report with help navigating these systems.

To date, the CA vs. Hate hotline has been funded through a combination of two sources. The 2021 Budget Act established the hotline through a one-time, $10 million General Fund appropriation spread out over three years. In addition, the program secured a federal grant from the United States' Department of Justice in 2023 for just over $1.1 million over three years. These funds pay for the trained operators who respond to reports of hate, CRD staff oversight, public outreach programs to build awareness of the CA vs. Hate hotline as a resource, and collaborative projects with academic institutions to collect and analyze data about the program.

Key Questions.

- CRD has worked with academic researchers to evaluate the impact of the CA vs. Hate hotline on health and well-being. What conclusions have those evaluations reached so far?

- What are the current trends in hate crime reporting in California? Is the need for the CA vs. Hate hotline increasing or decreasing?

- The federal grant for the CA vs. Hate was awarded to CRD in 2023 and extends three years. If this budget request is not approved, the federal grant period would extend beyond the duration of the program. What impact would this have on the grant funds?

Staff Recommendation. Approve as budgeted.

Item 11: Implementation of Recently Enacted Legislation

Issue. In order for the Civil Rights Department (CRD) to implement AB 2499 (Schiavo, Ch. 967, Stats. 2024) and SB 1340 (Smallwood-Cuevas, Ch. 626, Stats. 2024), the Governor's January 2025 Budget Proposal seeks $1,219,000 in General Fund for 2025-26; $1,203,000 in General Fund annually after that; and hiring authority for five permanent positions.

Background. One of CRD's primary tasks is the administrative enforcement of California's Fair Employment and Housing Act (FEHA), which prohibits discrimination in workplaces and in housing matters. Until January 1st of this year, FEHA preempted any local jurisdiction from enacting their own local housing and employment discrimination laws and enforcement procedures if they overlap with FEHA's scope.

SB 1340 lifted this preemption with respect to FEHA's employment discrimination provisions, subject to a series of specified conditions intended to ensure robust and consistent civil rights enforcement across the state. To help clarify what is required, SB 1340 directs CRD to promulgate regulations that any local workplace civil rights law and enforcement mechanism will have to follow. This budget request seeks the necessary resources and staffing for CRD to create these regulations, provide technical assistance to locals setting out to establish their own employment discrimination laws, as well as to educate employers and the public about the new system.

AB 2499 conferred on CRD responsibility for receiving, investigating, and enforcing a series of workplace protections. Among other things, AB 2499 tasked CRD with enforcing California workers' rights to job-protected leaves of absence for specified reasons including attending jury duty, testifying in court, seeking legal assistance or other services related to being a victim of domestic violence, or providing assistance to a family member who has been a victim of violence more generally. Previously, these workplace protections had appeared in the Labor Code and could only be enforced by the Labor Commission or through civil lawsuits.

Under AB 2499, CRD anticipates receiving approximately 200 complaints that these laws have been violated each year, necessitating new staff training and adding to the overall number of cases that CRD must review, investigate, and mediate. In addition, CRD must create a notice for employers to give their workers explaining these rights and have it translated into 15 different languages. This budget request corresponds to those needs.

Key Questions.

- Will these additional resources be sufficient for CRD to carry out the implementation of these mandates, especially in light of the recent withdrawal of federal resources for civil rights enforcement?

- At the same time that it opens new opportunities to ensure that the targets of workplace discrimination have responsive ways for seeking redress, the implementation of SB 1340 presents complex issues for the coordination and handling of civil rights complaints. How soon does CRD think local governments will be able to begin enforcement?

Staff Comment. The requested resources and staffing are the same or lower than the amounts anticipated by the Senate Appropriations Committee during legislative consideration of these bills. Specifically, the Appropriations analysis of SB 1340 estimated costs to CRD in the "low millions" for administration. The same analysis for AB 2499 was three positions and a little over $600,000 annually, though the Appropriations Committee noted that perhaps some of those costs could be avoided through the transfer of the relevant staff from the Labor Commission's office to CRD.

Staff Recommendation. Approve as budgeted.

Item 12: Community Conflict Resolution and Conciliation Program Extension

Issue. The Governor's January 2025 budget does not include further funding for the Community Conciliation Program at the Civil Rights Department (CRD). As a result, the program will presumably end as of June 30, 2025.

Background. Traditionally, much of CRD's civil rights enforcement work involves receiving and investigating allegations of discrimination. This often includes efforts to mediate or settle individual cases, but the process otherwise usually unfolds much as it would in any legal dispute: in an adversarial fashion pitting the complainant against the individual or entity accused of discrimination in a struggle to prove what happened and whether or not it meets the technical legal definition of unlawful discrimination. While such administrative investigation and enforcement has an important role to play in combatting discrimination, it is generally not as well suited to situations where the parties want healing as much or more than adjudication. It is also not usually an effective way to address community-wide concerns and circumstances where actual or perceived discrimination may not be legally actionable but is nonetheless creating rifts within a community.

Established as part of the 2022 Budget Act at a cost of less than $900,000 annually, CRD's Community Conflict Resolution Unit (CCRU) is designed to fill this space. CCRU describes its mission as follows:

> We work with communities and/or local and state public bodies to constructively manage or resolve conflict, minimize or eliminate the potential for violence, reduce or eliminate antagonism within communities, or help them reach mutually acceptable outcomes. We work closely with stakeholder groups affected by conflict to ensure that solutions include community-driven input. We believe that community collaboration is most effective in addressing concerns related to hate and discrimination-based community conflict.

In concrete terms, the CCRU carries out this function by designing customized conflict resolution processes, facilitating community engagement processes, mediating community disputes, and providing civil rights-related conflict resolution education, consultation, and training. CRD reports that through the end of 2024, the CCRU has conducted 124 community engagement sessions focused on addressing community conflict, explored 44 conciliation opportunities with community partners, facilitated 22 conciliation sessions, and delivered 12 trainings to city officials, students, community organizations, human resources professionals, employees, and employers. These figures are higher than the volume of services that CRD thought the CCRU would produce when CRD proposed the program. Some specific examples of CCRU activities include:

- Working with the affected communities and government agencies in the wake of mass shooting events in Monterey Park and Half Moon Bay in January 2023 to address misinformation, remove language barriers, and assist survivors in accessing vital services and benefits.

- Providing de-escalation training to Filipino Americans and other Asian Americans in response to incidents of hate speech in their communities.

- Engaging in contingency planning with a PRIDE group concerned about the actions of counter-protest groups.

- Facilitating discussion between Black and Latino middle school youth after incidents of racial slurs, fighting, and other discriminatory behavior.

- Facilitating a historic first meeting between a tribe and a local government, which led to the tribe's participation in updating the local general plan.

The original 2022 Budget Act allocation to the CCRU spanned three years: $889,000 in General Fund in 2022-23, $883,000 General Fund in 2023-24 and another $883,000 in 2024-25. In light of the budget deficit confronting the state in 2024, the Governor proposed eliminating the third year of the appropriation. The Legislature eventually acquiesced on the understanding that CRD had sufficient resources to operate the program for a third year even without a specific appropriation.

The Governor's January 2025 Budget Proposal does not include an appropriation for the CCRU for 2025-26. Absent such an appropriation, the program will presumably shut down as of June 30, 2025.

Key Questions.

- What will happen to the CCRU and its services if no appropriation is made for them in this year's budget?

- Have requests for CCRU's services increased or decreased since its creation?

- If the CCRU's services come to an end, is there any other part of government that is available to play this sort of role in addressing community-level, discrimination-related disputes?

Staff Recommendation. Information only.

Item 13: Enforcement, Investigation and Conciliation Enhancement Extension

Issue. The Governor's January 2025 budget does not include further funding for Enforcement, Investigation and Conciliation Enhancement at the Civil Rights Department (CRD). As a result, these enhancements will expire as of June 30, 2025.

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

At the time, CRD explained that these temporary enhancements were needed because a surge in discrimination complaints had pushed up the average wait time from complaint submission to intake interview. While these delays do not impact CRD's statutory deadlines for investigating cases because those deadlines only begin to run after the intake interview, having to wait can be disillusioning for victims of civil rights violations and may jeopardize the availability of witnesses or evidence. In addition, CRD hoped that temporarily supplementing intake resources would free up capacity for CRD to resolve more of the discrimination complaints it receives through mediation.

CRD data appear to indicate that its initiative has been successful thus far:

CRD Enforcement Division Team	FY 2021-22 (prior to BCP)
Employment	Wait time – Actual: 120 days
Housing	Wait time – Actual: 113 days

CRD Enforcement Division Team	FY 2022-23	FY 2023-24	FY 2024-25 (YTD)
Employment	Wait time – Goal: 60 days Wait time – Actual: 113 days Conciliations - 92	Wait time – Goal: 30 days Wait time – Actual: 98 days Conciliations – 157	Wait time – Goal: 30 days Wait time – Actual: 92 days Conciliations – 90 (as of Feb. 25)
Housing	Wait time – Goal: 50 days Wait time – Actual: 103 days Conciliations - 132	Wait time – Goal: 30 days Wait time – Actual: 70 days Conciliations - 154	Wait time – Goal: 30 days Wait time – Actual: 65 days Conciliations – 95 (as of Feb. 2025)

In light of last year's budget shortfall, the Governor's January 2024 Budget proposed to eliminate the final year of the funding for these enhancements, but at the insistence of the Legislature, it was ultimately restored in the final budget. Because the Governor's January 2025 Budget Proposal does not include any funding for continued enhancements in 2025-26, however, they will come to an end on June 30, 2025.

Key Questions:

- Has the volume of civil rights complaints that CRD receives been increasing or decreasing?

- What is the likely impact on how long people will have to wait to have their civil rights claims heard if no funding for investigation, enforcement, and mediation enhancement is included in the 2025 Budget?

- What is the likely impact on CRD's ability to resolve cases through mediation?

Staff Recommendation. Information only.