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Public Comment

Please Note: Public comment will be taken after all Items have been heard.

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Items for Discussion

0516 CALIFORNIA HOUSING & HOMELESSNESS AGENCY (CHHA)
2240 HOUSING & COMMUNITY DEVELOPMENT DEPARTMENT (HCD)
2250 HOUSING DEVELOPMENT FINANCE COMMITTEE (HDFC)
2255 CALIFORNIA INTERAGENCY COUNCIL ON HOMELESSNESS (CAL-ICH)

Item 1: Staffing and Resources Realignment in Support of the Governor's Reorganization Plan

Issue: The Governor's May Revision budget requests further realignment of staffing and resources among the entities that will be under the purview of the newly constituted California Housing and Homelessness Agency (CHHA) as of July 1, 2026, in support of the Governor's Reorganization Plan. Specifically, this proposal would:

- Move one position and \$185,000 in General Fund from the California Interagency Council on Homelessness (Cal-ICH) to CHHA to support CHHA's communications and external affairs workload.
- Move of two positions and \$497,000 General Fund from Cal-ICH to the Housing and Community Development Department (HCD) to support HCD's administrative and fiscal operations.
- Provide the newly formed Housing Development Finance Committee with authority for a new Chief Deputy Director position, funded through existing resources.

Background: During the 2025-26 Legislative Session, the Administration introduced the Governor's Reorganization Plan (GRP-1). That Plan will split the existing Business, Consumer Services, and Housing Agency (BCSH) into the CHHA and the Business and Consumer Services Agency (BCSA) effective July 1, 2026. Additionally, the Plan set the foundation for a restructuring of the state's affordable housing financing system by, among other things, forming a new Housing Development Finance Committee. The Legislature approved GRP-1 by default in early July 2025.

As discussed during this Subcommittee's February 27, 2026 hearing, the Governor's January 2026 Budget further elaborated on the Reorganization through (1) two budget trailer bill proposals to that would streamline and consolidate the making of state affordable housing funding awards under the HDFC; and (2) a budget change proposal that would transfer staffing and other resources between the new CHHA entities to align with the new structure. See the Subcommittee's February 27, 2026, Hearing Agenda, Item One, for additional details about these proposals.

The proposal set forth here would make further modifications to the allocation of staff and related resources between the entities that will make up CHHA. Because the Administration states that HDFC will be able to fund the proposed Chief Deputy Director position using existing resources and the other positions and resources are simply from one entity to another, the proposal purports to be net-zero, with no additional draw on the General Fund.

Key Questions:

- The proposal takes three positions away from Cal-ICH. What services or operations were these positions carrying out for Cal-ICH? What will happen to those Cal-ICH services or operations as a result?
- How will HDFC absorb the cost associated with the new Chief Deputy Director position without additional funding? Is that sustainable over time?

Legislative Analyst’s Office Commentary: Based on an initial understanding and preliminary assessment of this proposal, the LAO recommends approving it. However, the LAO suggests that the Legislature may want to get clarification from the Administration about how it intends for HDFC to fund the proposed new Chief Deputy Director position without any corresponding funding.

Staff Recommendation: Hold open.

2245 CALIFORNIA HOUSING FINANCE AGENCY (CALHFA)**Item 2: Establishment and Resources for a Disaster Rebuilding Fund**

Issue: The Governor’s May Revision proposes a statutory framework and \$100 million in funding for the creation of a Disaster Rebuilding Fund at the California Housing Finance Agency (CalHFA) to assist homeowners seeking to rebuild in the wake of natural disasters, such as wildfire, through a combination of a loan loss guarantee program, an interest rate buydown program, and other tools intended to reduce borrowing costs and facilitate access to private financing.

Background: California homeowners who seek to rebuild their homes in the wake of a disaster face multiple challenges. As seen in the case of efforts to reconstruct homes after the January 2025 Los Angeles fires, one common barrier is lack of access to sufficient funds to cover the full construction costs of rebuilding. The proposed Disaster Rebuilding Fund is intended to help break through this barrier by subsidizing the cost of financing, thus making access cheaper and more widely available.

Under the proposal, CalHFA would achieve that aim through a variety of subsidy mechanisms:

- loan loss reserve;
- interest rate buydown;
- below-market-rate subordinate loans; and, in effect,
- anything else that CalHFA can create.

The inclusion of multiple options has the benefit of allowing for more participation by both lenders and borrowers, depending on the particular incentives and financial situations of any individual entity. As currently drafted, however, the proposed statutory framework for the Disaster Rebuilding Fund leaves most of the program details to CalHFA to develop. Eligibility, the application process, and even the scope of the mechanisms that CalHFA could employ to achieve the aim of making private financing cheaper and more accessible are not currently specified. This has the virtue of giving CalHFA broad latitude to exercise its expertise in creating programs of this type. At the same time, lack of specificity limits the amount of influence that the Legislature will be able to exert over how the program will ultimately operate. Relatedly, the current version of the proposed statutory framework for the Fund contains an exemption from the Administrative Procedures Act (APA). While this would likely enable CalHFA to deploy the Fund more rapidly, it also limits opportunities for public input in the program design.

As initial funding for the program, the Administration proposes a combined \$100 million, with \$56 million coming from a one-time, 2026-27 General Fund appropriation and the remaining \$44 million coming out of the National Mortgage Settlement Fund. CalHFA estimates that this level of funding would enable it to serve some 730 homeowners. The Administration adds, however, that it hopes to attract additional resources to the proposed Fund, thus raising the possibility of serving more homeowners impacted by the Los Angeles fires and/or to extend eligibility for assistance from the Fund to other disasters.

Legislative Analyst’s Office Commentary: Based on an initial understanding and preliminary assessment of this proposal, the LAO finds that it lacks detail on a number of issues. The LAO recommends that the Legislature inquiry about the following points:

- How did the Administration land on this particular proposed model of addressing the problem of people having difficulty financing home rebuilds after a disaster? What alternatives did the administration consider and how did the administration determine this May Revision proposal was the most promising approach?
- How would the proposed process work? Which lenders would be eligible for these funds and how would they apply for them? How would homeowners apply for the assistance? How would CalHFA (or lenders) determine which homeowners to select?
- What are the one-time and ongoing administrative costs for CalHFA to run this program?
- How did the administration estimate the number of homeowners (a total of 730, as suggested in the BCP) that would benefit from the proposed fund? The LAO notes that, assuming 730 homeowners is an unduplicated count, a \$100 million fund would provide an average of about \$137,000 in assistance per beneficiary.

Staff Recommendation: Hold open.

2240 HOUSING & COMMUNITY DEVELOPMENT DEPARTMENT (HCD)

Item 3: Homeless Housing, Assistance, and Prevention (HHAP) Program Trailer Bill Language

Issue: The Governor’s May Revision includes proposed budget trailer bill language that would provide the statutory framework for administration of the next round of the Homeless Housing, Assistance, and Prevention (HHAP) Program.

Background: HHAP is a program through which the state provides relatively flexible financial support to large cities, counties, tribes, and continuums of care to support local efforts to address homelessness. To date, there have been six rounds of the HHAP program. The 2025 Budget Act – SB 158 (Committee on Budget and Fiscal Review, Ch. 650, Stats. 2025) specifically – included a statutory commitment to appropriate \$500 million for a seventh round of the HHAP program in the 2026-27 fiscal year. However, that commitment was made contingent on the enactment of legislation to govern administration of the new round. Per SB 158, this legislation must incorporate the following conditions and priorities and “specify the extent to which each shall apply.”

- (A) Having a compliant housing element.
- (B) Having a local encampment policy consistent with administration guidance.
- (C) Having a prohousing designation.
- (D) Leveraging local resources to scale state investments.
- (E) Demonstrating progress on key housing performance metrics.
- (F) Demonstrating urgency and measurable results in housing and homelessness prevention.

In addition, SB 158 directed the Housing and Community Development Department (HCD) to begin preparation for administering Round 7 of HHAP with the goal of having initial Round 7 disbursements available to eligible grantees beginning on September 1, 2026. SB 158 further provided HCD with the authority to request up to \$8 million in 2025-26 for that purpose. HCD drew down the entirety of these funds on May 11, 2026.

Under the Administration’s proposed trailer bill language, here is a summary of how the next round of HHAP would operate administratively:

- **No New Application Required.** HCD would disburse HHAP Round 7 awards through an amendment to the HHAP Round 6 Notice of Funds Available (NOFA). As a practical matter, this appears to mean that formula-based HHAP recipients would not need to reapply for Round 7. Instead, they would be eligible to receive their HHAP Round 7 awards upon demonstrating that they meet the prerequisites.
- **Prerequisites for First Disbursement.** The main prerequisites for receiving an initial HHAP Round 7 award would be:
 - Fiscal readiness. Contractual obligation of at least 75 percent, and expenditure of at least 50 percent of the recipients’ prior HHAP disbursement.
 - Housing Element Compliance. HHAP recipients that are cities or counties must have a compliant housing element.

- Pro-Housing Designation. Cities that are HHAP recipients and the counties in which those cities are located, must obtain Pro-Housing Designation within a year of their first disbursement or HCD will reallocate any remaining funding from the recipient.
- Encampment Resolution. HHAP recipients must show that they have a local ordinance, administrative policy, or practices that comply with state guidance on addressing encampments.
- Local Matching Funds. Cities that are HHAP recipients and the counties in which those cities are located must demonstrate that they are providing local matching funds up to an unspecified percentage of their HHAPP allocation. Sources of these local matching funds can include, but are not limited to: dedicated local or regional funding sources, in-kind contributions, impact fee waivers or deferrals, land donations, philanthropic contributions, and local government contributions including those originating from the state.
- Good Standing on All Reporting.
- **Prerequisites for Second Disbursement.** The prerequisites for receiving a second HHAP Round 7 award would be:
 - All of the prerequisites for the first disbursement, with the following modifications:
 - Must obtain and maintain Pro-Housing designation as condition of reviving the second disbursement (no 12-month grace period).
 - A higher – but still unspecified – percentage of local funding match.
 - System Performance Metrics Improvements. Progress against baseline for at least half of the recipient’s SPMs.
 - Completion of “key actions” committed to by the recipient in the HHAP Round 6 updated Regionally Coordinated Homelessness Action Plan.
 - Encampment Progress. Demonstration of sufficient progress toward resolution of encampments identified in the recipient’s HHAP Round 6 application.

The Administration’s proposed trailer bill language also makes two changes to the HHAP program that would apply to all rounds of the program, not just Round 7. Those changes are:

- **Reallocation of Unused Funds.** SB 158 demands that HHAP recipients demonstrate urgency in housing and homelessness prevention. The Administration’s trailer bill language responds to this demand by specifying a new mechanism for reallocating HHAP funding that recipients have not used by the applicable deadlines. To avoid a situation in which this reallocation punishes unhoused individuals for the failures of the HHAP recipients, the proposed trailer bill language requires that HCD shall “to the extent practicable, prioritize reallocation to other eligible applicants in the same region.”
- **System Performance Metrics Improvements.** The HHAP program uses a set of System Performance Metrics (SPMs) to assess recipients’ success or failure and hold them accountable

for continuous improvement. This structure makes outcomes (instead of dollars spent or activities undertaken) the focus of HHAP's accountability mechanisms. As they appear in the HHAP statutes, however, the HHAP SPMs vary slightly from round to round. In addition, the HHAP SPMs do not always perfectly align with the outcome data that HHAP recipients are mandated to capture. HCD has developed systems for mapping existing outcome data onto the SPMs, but realigning the SPMs to better match existing outcome data would be simpler and more streamlined. To allow for these SPM improvements, the proposed trailer bill would make the California Interagency Council on Homelessness (Cal-ICH) responsible for setting and periodically updating the System Performance Metrics (SPMs) that the HHAP program uses.

These terms presumably meet the conditions set forth in SB 158 and would support appropriation and disbursement of the \$500 million committed to Round 7 of HHAP.

Key Questions:

- If the Legislature approves the proposed structure for HHAP 7, does HCD believe it can still meet the SB 158 goal of September 1, 2026 for initial disbursements to be available to any recipients that have met the prerequisites?
- How does the Administration define “having a compliant housing element” for purposes of the proposed HHAPP 7 disbursement prerequisites?
- Given that obtaining Pro-Housing Designation can be a lengthy process, would the Administration be open to imposing that requirement more gradually?
- What percentage of local funding match does the Administration have in mind as a prerequisite for the first disbursement of Round 7 HHAPP funding? For the second disbursement?
- In several places, the proposed trailer bill language employs vague terms – “to the extent practicable,” “sufficient progress,” “to the department’s satisfaction” – that appear to leave HCD with wide discretion about how to interpret them. Is the Administration open to seeking greater clarity to help set more precise standards, build trust, and avoid future disputes?
- In some instances, the trailer bill language sets forth requirements that HHAP recipients must meet but does not specify the process or timeline HCD will use to determine whether those requirements have been met. Is the Administration open to the inclusion of such process and timeliness to provide clarity, build trust, and prevent unnecessary delay?
- The proposed trailer bill language strikes out the specific System Performance Metrics set forth in the HHAP statutes and instead directs Cal-ICH to set and periodically update those metrics. Why is the Administration proposing this structure? Should the Legislature be concerned that updated SPMs will result in moving goalposts for the program?

Legislative Analyst’s Office Commentary: Based on an initial understanding and preliminary assessment of this proposal, the LAO observes that:

- The proposed new Pro-Housing Designation requirement would be notable. Currently, a Pro-Housing Designation gives cities and counties a scoring advantage when they apply for certain

state funding (such as Infill Infrastructure Grants, for example), but it is not a state requirement. As of March 2026, 9 of the 14 cities receiving HHAP funds (and 5 of the 11 counties where those cities are located) have a Pro-Housing Designation.

- HCD already administratively requires some of things that the proposed trailer bill language would commit to statute, such as having an encampment policy that is consistent with state guidance.
- It is difficult to assess the proposed new local match requirement because key details--most notably, how much the local match would have to be -- are left blank in the current draft of the proposal.
- It is unclear, as well, why the Administration's draft strikes out the System Performance Measures (SPMs) currently in statute. These performance measures (such as the percent of housed people returning to homelessness) came about through extensive consultations and are used to track state and regional progress on homelessness efforts. What role does the Administration envision the Legislature would play in providing input/approval were the state to develop a new or modified set of SPMs?

Staff Comment: The Senate's 2026 Budget Plan – Foundation for the Future – proposes fully funding Round 7 of HHAP at \$1 billion (in other words, adding \$500 million to the current appropriation). Because that level of funding is consistent with the past four rounds of HHAP funding, it would prevent any reduction in HHAP-funded efforts to reduce homelessness across the state and arguably offers the best hope of sustaining and improving on California's recent reductions in unsheltered homelessness.

As Governor Newsom put it on May 13, 2026, upon announcing distribution of the most recent HHAP awards:

Together, we're making progress — including a 9% drop in unsheltered homelessness and hundreds of thousands of Californians now with a roof over their heads. *We now have to keep pushing* until every Californian has the dignity of a safe place to call home. (Emphasis added.)

The Administration's proposed trailer bill language is completely compatible with fully funding Round 7 of HHAP. The only necessary change would be to increase the amount of money available.

The Senate's 2026 Budget Plan also commits to full funding of an eighth round of HHAP funding, providing local jurisdictions with the stability and financial assurance they need to make longer-term, sustainable investments and achieve more durable outcomes.

Staff Recommendation: Hold open.

Item 4: Proposed Statutory Additions Intended to Reduce the Imposition of Local Development Impact Fees on State-Funded Affordable Housing Projects

Issue: The Governor’s May Revision includes a budget trailer bill proposal intended to reduce the imposition of local development fees on state-subsidized affordable housing projects by:

1. treating the waiver of local development fees as a local contribution when scoring affordable housing project funding applications; and
2. prohibiting local governments from imposing development fees when the local government is the one seeking state funding for an affordable housing project.

Background: When developers construct new projects, the new projects often affect the use of nearby infrastructure and services. A new housing development will generally increase things like wear and tear on local roads, the amount of effluent that will flow through local sewers, local demand for utilities, and the number of children attending local schools, just to name a few examples. To offset the associated costs, affected local jurisdictions frequently charge the developer impact fees.

While charging these fees has the beneficial effect of helping the local jurisdiction to cover the cost of keeping up with the new infrastructure and service demands, the downside is that these increased expenses get incorporated into the overall cost of constructing the housing, making it more expensive to build. A [recent report by the Turner Center for Housing Innovation](#) at the University of California, Berkeley found that affordable housing projects receiving Low Income Housing Tax Credits paid around \$300 million annually in local development impact fees, with an average of between \$20,000 per unit.¹

Although the Governor’s proposed budget does not currently include funding for them, several state programs potentially offer financial assistance to developers to help them pay for the construction of affordable housing. When these state affordable housing funding awards are helping to pay for the overall cost of construction and those costs include the local development impact fees, the state is essentially helping to pay for the local infrastructure and service expenses created by the affordable housing project. In other words, state dollars are covering local costs.

The budget trailer bill language proposed here is intended to disrupt this dynamic and help ensure that state affordable housing dollars subsidize only the direct costs of the affordable housing development and not any local infrastructure and service costs that the affordable housing project may indirectly create.

The proposed trailer bill language seeks to accomplish this in two related ways.

First, it would treat any waiver or reduction of development impact fees as a local contribution to an affordable housing project. Since local contributions often boost a project’s points within the state affordable housing project application scoring system, this would make projects more competitive – and thus more likely to receive funding – if the local jurisdiction waives or reduces the development impact fees.

¹ Reid, Corsiglia, and Metcalf. Assessing the Cost of Impact Fees on Affordable Housing: An Analysis of Low-Income Housing Tax Credit Projects in California. University of California Turner Center for Housing Innovation. <https://turnercenter.berkeley.edu/blog/assessing-the-cost-of-impact-fees-on-affordable-housing-an-analysis-of-low-income-housing-tax-credit-projects-in-california/> (as of May 17, 2026).

Second, when a local jurisdiction itself is applying for state affordable housing funding, the proposed trailer bill language would prohibit that local jurisdiction from imposing development impact fees. (As it is currently drafted, it is not clear whether the prohibition on charging development impact fees applies generally, or just to specific project for which the local jurisdiction is seeking state funding, but presumably the intent is for the latter.)

In essence, the trailer bill language tells local governments: if you want the state to subsidize the construction of an affordable housing project in your community, the state wants you to contribute the cost of any associated service or infrastructure impacts.

Key Questions:

- Is it the intent of the proposal to prohibit local jurisdictions that are applicants for state affordable housing funding from charging development impact fees on any affordable housing project, or just the affordable housing project for which the local jurisdiction is seeking funding?
- This proposal makes it harder to obtain state affordable housing awards unless the local jurisdiction in question is willing to contribute the costs of any associated impacts. Is there a risk that this will dissuade some local jurisdictions from supporting affordable housing projects?
- If the scoring value of impact fee waivers is weighted by the amount of fees waived, could this result in an incentive (or reward) for jurisdictions that charge higher impact fees?
- The current proposed trailer bill language includes Mello-Roos district fees as a form of impact fee that local jurisdictions will be expected to waive. Do local jurisdictions have sufficient control over these fees to be able to waive them?

Legislative Analyst’s Office Commentary: Based on an initial understanding and preliminary assessment of this proposal, the LAO believes that it “raises a number of issues and questions for the Legislature” including:

- To which specific affordable housing programs would the proposed trailer bill language apply?
- Is the Administration suggesting that development impact fees are unnecessary in some cases? If so, how does the administration know this?
- How would local governments fund any increased demand for infrastructure and services resulting from new housing projects?
- Would some cities and counties be disadvantaged because they cannot afford to waive the fee--despite having a need for more affordable housing?
- How would development impact fees charged by special districts (such as for parks or fire protection) affect city, county, or developers' housing applications?
- Could cities and counties to work around the intent of the new policy (such as by getting another entity to serve as an applicant or co-applicant for projects)?

Staff Comment: It should be noted that the proposal would apply only to impact fees charged by local governments, not the entire suite of impact fees that could be charged to an affordable housing project by other entities such as school or utility districts. For this reason, while the Turner Center report referenced in the Background above is relevant conceptually, the proposed trailer bill language would almost certainly not achieve the same level of cost reductions estimated in that report, because that estimate included all development impact fees, regardless of source.

Staff Recommendation: Hold open.

0968 CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE (CTCAC)**Item 5: Staffing and Resource Augmentation to Support Response to Recent Federal Low Income Housing Tax Credit Policy Changes**

Issue: The Governor’s May Revision seeks approval of a \$1,321,000 annual increase from the Tax Credit Allocation Fee Account beginning in 2026-27 for the California Tax Credit Allocation Committee (CTCAC) to pay for one Supervisor I position and six Analyst II positions in its Development Section to accommodate the ongoing workload created by the operation of the programs and by an expansion of duties created by federal legislation signed into law in 2025.

Background: Within California’s affordable housing finance system, the Debt Limit Allocation Committee (CDLAC) and the Tax Credit Allocation Committee (CTCAC) play the roles of managing and awarding tax-exempt private activity bonds and Low Income Housing Tax Credits (LIHTC), respectively, to affordable housing development projects.

CDLAC oversees the use of the state’s annual allocation of tax-exempt private activity bonds for a variety of programs. The largest such use is the Qualified Residential Rental Project Program, which authorizes the issuance of these bonds to finance the development of multifamily rental housing, to acquire land and construct new housing, or purchase and rehabilitate existing housing. Affordable housing projects that obtain a private activity bond award also receive a matching award of four percent federal LIHTC credits from TCAC. In exchange for the tax credits, the project developers must agree to rent the units at affordable rates. These bonds and tax credits are a key final source of funding for many affordable housing projects. Upon receiving them, the affordable housing developers are generally required to begin construction within six months. In addition to awarding the four percent federal tax credits as described above, CTCAC also awards tax credits under the federal nine percent LIHTC program, the state’s LIHTC program, and the Farmworker Housing Assistance Tax Credit program.

H.R. 1, the federal legislation enacted last summer, slashed federal support many state initiatives, particularly in health and human services. With respect to funding for affordable housing, by contrast, H.R. 1 offers new resources to California. Prior to the enactment of H.R. 1, affordable housing developers needed to finance at least 50 percent of their projects with private activity bonds in order gain access to four percent tax credits. H.R. 1, reduced this threshold to 25 percent, thereby effectively doubling how many four percent tax credits California projects can draw down each year using the same amount of private activity bonds. This could yield as much as \$4 billion in additional four percent affordable housing tax credits in California every year. Additionally, H.R. 1 increased the size of the nine percent tax credit program by 12 percent indefinitely, which translates to about \$150 million more in nine percent tax credits for California annually.

During this Subcommittee’s April 30, 2026, hearing, CTCAC reported on its response to H.R. 1. Shortly after passage of H.R. 1, CTCAC modified its program guidelines to enable California to take maximum advantage of H.R. 1’s changes, reducing the required bond threshold to 25 percent going forward and even encouraging projects that had obtained awards under the previous threshold to reapply with a lower percentage bond percentage in order to stretch federal resources further. As a result, CTCAC was able to award record number of housing units in 2025. CTCAC awarded funding to 254 projects producing 28,850 total units (28,485 low-income) in 2025, up from 193 projects and 18,581 total units in 2024.

While these are generally positive developments for affordable housing funding in California, they have increased CTCAC's workload. This budget request is intended to help CTCAC manage that additional workload.

Legislative Analyst's Office Commentary: Based on an initial understanding and preliminary assessment of this proposal, the LAO suggests that the Legislature may want to inquire:

- How will this proposal interact with the Governor's January 2026 Budget proposal to restructure the state's affordable housing funding system. (See Item One of this Subcommittee's April 30, 2026 Hearing Agenda for details about this proposal.) Under the restructuring proposal, CDLAC would reserve some of its private activity bonds each year to match with affordable housing funding awards made by the new Housing Development Finance Committee (HDFC). The LAO wonders if that proposal might reduce CDLAC's workload and staffing requirements, thus potentially freeing up some staff and resources at CDLAC for possible transfer to TCAC, mitigating the need for as many new resources at TCAC.
- Is CTCAC contemplating fee increases to fund the requested new positions? The LAO notes that TCAC is funded by a fee-supported special fund and last increased application fees and compliance fees in January 2024.

Staff Comment: Because the requested funding comes from fee-generated special fund, approval of this request does not impact the General Fund.

Staff Recommendation: Approve the proposed budget revision.

Item 6: Staffing and Resource Augmentation to Support Implementation of Recently Enacted State Legislation
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Issue: The Governor’s May Revision seeks approval of a \$613,000 increase from the Tax Credit Allocation Fee Account for the California Tax Credit Allocation Committee (CTCAC) to pay for one Supervisor I position and two Analyst II positions in its Compliance Section to handle the ongoing workload created by an expansion of duties created by recently enacted state legislation.

Background: AB 846 (Bonta, Ch. 674, Stats. 2024 extends a statewide limit on rent increases to all projects receiving Low Income Housing Tax Credits. Monitoring compliance with this law requires CTCAC staff to conduct additional research, review property files, and document rent levels. This budget request is intended to provide CTCAC with the necessary staffing and corresponding resources to carry out this additional work.

Legislative Analyst’s Office Commentary: Based on an initial understanding and preliminary assessment of this proposal, the LAO suggests that the Legislature may want to inquire:

- How will this proposal interact with the Governor’s January 2026 Budget proposal to restructure the state’s affordable housing funding system. (See Item One of this Subcommittee’s April 30, 2026, Hearing Agenda for details about this proposal.) Under the restructuring proposal, CDLAC would reserve some of its private activity bonds each year to match with affordable housing funding awards made by the new Housing Development Finance Committee (HDFC). The LAO wonders if that proposal might reduce CDLAC’s workload and staffing requirements, thus potentially freeing up some staff and resources at CDLAC for possible transfer to TCAC, mitigating the need for as many new resources at TCAC.
- Is CTCAC contemplating fee increases to fund the requested new positions? The LAO notes that TCAC is funded by a fee-supported special fund and last increased application fees and compliance fees in January 2024.

Staff Comments: The requested amount is almost double the amount that CTCAC estimated AB 846 would cost to implement when the bill was pending consideration before the Legislature. At the time the Senate Appropriations Committee reported that CTCAC believed it would incur “ongoing costs in the range of \$141,000 to \$328,000 annually for 1.0 - 3.0 PY of new staff to field increased tenant inquiries, track and verify compliance, and take negative actions against project sponsors for noncompliance, such as imposing fines or issuing negative points on a current AB 846 or future application.” The Appropriations analysis did note, however, that “[a]ctual costs and staffing needs would depend upon the volume of inquiries and incidences of noncompliance.

Because the requested funding comes from fee-generated special fund, approval of this request does not impact the General Fund.

Staff Recommendation: Approve the proposed budget revision.

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

Item 7: Statutory Authority to Charge Fees for Submission of CEQA Documents

Issue: The Governor's May Revision proposes the enactment of budget trailer bill language that would give the Governor's Office of Land Use and Climate Innovation (GO-LCI) the authority to charge fees for the submission of documents pursuant to the California Environmental Quality Act (CEQA).

Background: The California Environmental Quality Act (CEQA) establishes a system for the study, consideration, and mitigation of the impacts associated with proposed development projects in California. (Pub. Resources Code § 21000 et seq.)

GO-LCI plays a key role in CEQA's operation. Among other things, GO-LCI runs the state's CEQA Clearinghouse, a bureaucratic hub where lead agencies and development proponents must file specified notices and environmental documents for review, storage, and appropriate distribution. Currently, the state pays for the operation of the CEQA Clearinghouse through General Fund appropriations to GO-LCI for that purpose. The proposed budget trailer bill language would authorize GO-LCI to charge fees for the submission of documents to the Clearinghouse, thus enabling GO-LCI to offset some of its costs for operating the system going forward.

The proposed trailer bill language specifies that GO-LCI can only charge for "the reasonable costs incurred" in operating the Clearinghouse and that it must go through the Administrative Procedures Act (APA) process to gain approval for any proposed fee increases. That process ensures some scrutiny and the opportunity for stakeholder input. GO-LCI anticipates that the initial fee rates will be approximately \$100-200 per filing, depending on the type of document filed, but it is still in the process of developing a fee-setting methodology.

In addition to authorizing fees, the proposed trailer bill language also permits GO-LCI to include additional information in the CEQA Clearinghouse database, including things like planning, permitting, funding, and procurement "for the purposes of facilitating efficient and informed decision-making by public agencies and members of the public."

Key Questions:

- How does GO-LCI anticipate determining what is a "reasonable" initial fee to charge for the submission of these documents? Is there any concern that the imposition of these fees could add significant enough costs to deter any proposed developments from proceeding?
- Beyond general modernization and improvement of the state CEQA Clearinghouse database, how specifically does GO-LCI intend to spend the resources generated by the imposition of these fees? What benefits can development proponents, environmental stewards, and the public expect from these expenditures? How will GO-LCI measure progress and success?

Legislative Analyst's Office Commentary: The LAO recommends the approval of this budget trailer bill proposal. The LAO believes that charging users of the system to help support its maintenance and operations is appropriate and consistent with the "beneficiary pays" principle. The LAO further observes that the fee will be developed using the APA rulemaking process, providing opportunities for public input into how fee levels are set.

Staff Comment: GO-LCI has undertaken initiatives to modernize the CEQA Clearinghouse. Nonetheless, it is still recognized as an underutilized resource. The database contains a treasure trove of information that could be beneficial for research, environmental stewardship, and streamlined development all at once, but that information is currently mired in outdated systems that limit its utility. To GO-LCI's credit, it has thoughtful ideas and plans for improving the Clearinghouse in order to more fully capitalize on its potential, but these efforts will require some investment. The proposed fee authority would make such investments more feasible without the need to return regularly to the Legislature to seek additional General Fund appropriations.

Staff Recommendation: Hold open.

Vote Only Items

0509 GOVERNOR'S OFFICE OF BUSINESS & ECONOMIC DEVELOPMENT (GO-BIZ)

Item 8: Savings from Retraction of State Contribution to Sunnyvale Semiconductor Facility

Issue: The Governor's May Revision proposes to revert a one-time \$25 million appropriation back to the General Fund as savings. The \$25 million was intended for use as the state's contribution to capital expenditures associated with the development of the National Semiconductor Technology Center's Design and Collaboration Facility in Sunnyvale, California, but due to federal policy changes, that project is no longer going forward.

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 seek a \$25 million state contribution to the project. That appropriation was included in the 2025 Budget Act.

Due to changes in federal policy, however, the project is no longer going forward. As a result, the May Revision proposes to revert the \$25 million back to the General Fund as savings.

Staff Recommendation: Approve the proposed budget revision.

Item 9: Extension of Regional Initiative for Social Enterprises Encumbrance Deadline
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Issue: The Governor’s May Revision proposes to reappropriate up to \$1 million from a 2022 Budget Act appropriation to the Regional Initiative for Social Enterprises (CA RISE) program. Such a reappropriation would have the practical effect of enabling GO-Biz to redirect \$1 million in unused technical assistance funding to make additional grants.

Background: The CA RISE program provides financial and technical assistance to Employment Social Enterprises (ESEs). ESEs are for-profit or non-profit organizations that earn revenue through the sale of goods or services produced by employees overcoming barriers to work. In other words, an ESE is a business whose primary purpose is to provide 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. Some well-known examples of ESEs include Homeboy Industries and the Goodwill. The idea 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.

The 2022 Budget Act established CA RISE through a \$25 million one-time appropriation in the 2022 Budget Act. Of that amount, there is \$1 million remaining from the program that was initially allocated for technical assistance. The reappropriation proposed here would allow for these resources to be allocated as grant funding for CA RISE 2.0 in conjunction with the additional \$17 million for CA RISE 2.0 included in the 2025 Budget Act. The Administration states that no portion of the \$1 million will be used for technical assistance – it would all go towards more grants.

Staff Recommendation: Approve the proposed budget revision.

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

Item 10: January Budget Position Count Error Correction

Issue: The Governor's May Revision requests that GO-LCI's state operations General Fund account be decreased by 5 positions in fiscal year 2026-27 and 9 positions in 2027-28 and ongoing to correct an error made in the Governor's Budget.

Background: Due to an error, the Governor's January 2026 Budget mistakenly included five excess positions at GO-LCI in fiscal year 2026-27 and nine excess positions annually beginning in 2027-28. GO-LCI's Land Policy and CalHeatScore budget change proposals in the January 2026 Budget incorrectly included position authority requests for existing positions. This proposed revision removes these positions from the system so that the budget bill does not accidentally add positions that LCI is not requesting.

Staff Recommendation: Approve the proposed budget revision.

0680 GOVERNOR'S OFFICE OF SERVICE & COMMUNITY ENGAGEMENT (GO-SERVE)**Item 11: Technical Correction to College Corps Administrative Funding Budget Codes**

Issue: The Governor's May Revision proposes a net-zero transfer of \$1,779,000 in College Corps administrative funds from the program's local assistance account to its state operations account to correct a prior misclassification.

Background: The College Corps program places college students in community-based organizations to perform service related to K-12 education, climate action, and food insecurity. In exchange for completing 450 hours, the students earn \$7,000 in the form of a living allowance and a \$3,000 scholarship.

This technical item corrects a budget account code misclassification. Specifically, the 2025 Budget included a General Fund appropriation for the College Corps program of \$83.6 million annually beginning in 2026-27. However, only \$1.8 million was built into state operations. The Governor's Budget included a \$14.7 million shift from local assistance to state operations bringing state operations to \$16.5 million. The May Revision includes another \$1.8 million shift from local assistance to state operations to bring the total up to \$18.3 million as was set forth in the original budget change proposal.

Staff Recommendation: Approve the proposed budget revision.

2240 HOUSING & COMMUNITY DEVELOPMENT DEPARTMENT (HCD)**Item 12: Reappropriation of Unused Infill Infrastructure Grant Funding**

Issue: The Governor’s May Revision proposes to reappropriate \$7 million in unawarded Infill Infrastructure Grant (IIG) program funds from the 2021 Budget Act, with the encumbrance deadline for the funds extended to June 30, 2029.

Background: As its name implies, the IIG program provides competitive grants to help fund the installation of infrastructure necessary for the construction of high-density affordable and mixed income housing in locations designated as infill.

The 2021 Budget Act included a \$250 million General Fund appropriation for IIG. The Housing and Community Development Department (HCD) subsequently made \$237 million in IIG awards from those funds, but \$7 million ultimately went unused by the awardee. The Administration now proposes to reappropriate those funds so that they may be awarded for another IIG project.

Legislative Analyst’s Office Commentary: The Legislature will want to weigh the trade-offs of approving this proposal: on the one hand, doing so would provide additional funding for housing projects; on the other hand, reverting these funds would mean more funding for other General Fund spending purposes--or as additional savings (budget solution) for the state.

Staff Comment: While this proposal is not for new funding – it simply reappropriates money that had been directed to IIG already – approving the proposal is consistent with the Senate’s 2026 Foundation for the Future Budget Plan priority of providing money for the state’s affordable housing funding programs.

Staff Recommendation: Approve the proposed budget revision.

Item 13: Savings from Administration of the Encampment Resolution Fund
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Issue: The Governor’s May Revision proposes to revert \$603,000 in unused administrative funding, originally from Round 2 of the Encampment Resolution Fund (ERF), back to the General Fund.

Background: ERF provided grant funding to counties, continuums of care, and cities of any size on a competitive basis for the purpose of assisting them to address specific homeless encampments within their jurisdictions. As part of the process of removing the targeted encampments, ERF grant recipients are supposed to transition encampment residents to alternative housing. In this way, ERF is theoretically distinct from mere “encampment sweeps” that are unconnected from any promise of housing. Later rounds of ERF grants prioritize addressing encampments located in state right-of ways and incentivize applicants to collaborate with the California Department of Transportation (Caltrans).

HCD administers ERF. The program budget includes a set aside for HCD’s costs of administration. HCD reports that it did not use \$603,000 of that set aside for Round 2 of the program. Accordingly, the Administration proposes to revert that amount back to the General Fund as savings.

Legislative Analyst’s Office Commentary: Based on its initial understanding and preliminary assessment of this proposal, the LAO recommends approving it because the Administration indicates these funds were not used/needed to administer Round Two of ERF.

Staff Recommendation: Approve the proposed budget revision.

1700 CIVIL RIGHTS DEPARTMENT (CRD)**Item 14: Staffing and Resources Augmentation for Enhanced Enforcement and Conciliation**

Issue: The Governor’s May Revision seeks a General Fund appropriation of \$838,000 each in 2026-27, 2027-28, and 2028-29, as well as hiring authority for six permanent positions for the Civil Rights Department to reduce wait time and increase settlements of employment and housing complaints.

Background: In 2022, CRD sought and received \$1.4 million annually for three years to enhance its enforcement, investigation, and conciliation efforts, with a particular eye toward driving down the time that a person making an allegation of discrimination must wait before CRD staff conducts its initial interview with that person. While that delay does 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.

Outcome data appears to indicate that the initiative was a success. Prior to the enhancement effort, the wait times from submission to initial interview for employment and housing discrimination complaints were 120 and 113 days respectively. By February 2025, those respective wait times were 92 and 65 days. CRD also saw significant increases in the number of cases it resolved through conciliation.

Funding for the enhancement initiative runs out as of June 30, 2026, however. At the same time, CRD reports a significant increase in discrimination complaints. At this time last year, CRD had about 8,700 open intakes and investigations. In December 2025 and for the first time in CRD’s history, it had more than 11,000 open intakes and investigations. Currently, the department reports having more than 12,000 open matter and a six-month wait between the time an intake form is submitted to the department and when the intake interview is conducted.

Key Questions:

- How did the Administration arrive at the \$838,000 figure for this proposed appropriation? Was it calibrated to respond to the increased volume of discrimination complaints that CRD must respond to?
- Is the proposed appropriation, which is lower than the one-time funding provided for this same purpose in recent budgets, sufficient to adequately address the significant increase in unlawful discrimination complaints and corresponding workload that CRD reported during this Subcommittee’s April 30, 2026, hearing?
- What resources would CRD need to sufficiently respond to the surge in discrimination complaints so that wait times do not continue to increase? What level of resources would CRD need to get investigatory interview wait times down to CRD’s target levels? What would it take to eliminate the backlog completely?

Legislative Analyst’s Office Commentary: Based on its initial understanding and preliminary assessment of this proposal, the LAO recommends approving this proposal. Because it addresses a legislative priority of reducing the amount of time people have to wait for an initial interview after filing

an unlawful discrimination complaint and, where possible, resolving complaints through mediation. The LAO notes that CRD has indicated that the number of discrimination complaints filed by the public has increased in recent years, adding to CRD's caseload. In addition, the LAO observes that CRD maintains data on wait times and other outputs and outcomes for the program, so the Legislature would be able to assess the impact of providing this funding. Still, the LAO suggests that the Legislature may want to ask how CRD would fund six permanent positions once proposed funding for them ends after 2028-29.

Staff Recommendation: Approve the proposed budget revision but also consider further augmenting the appropriation as the broader budget context allows.

Non-Discussion Items

0509 GOVERNOR'S OFFICE OF BUSINESS & ECONOMIC DEVELOPMENT (GO-BIZ)

Item 15: Resources to Extend the California Civil Media Program for Two More Years

Issue: The Governor's May Revision proposes General Fund appropriations of \$10 million each in 2026-27 and 2027-28 to the Governor's Office of Business and Economic Development (GO-Biz) to fund the California Civic Media Program for an additional two years.

Background: SB 155 (Committee on Budget and Fiscal Review, Ch. 649, Stats. 2025) established the California Civic Media Program with the aim of "enhancing the public good through supporting a robust and dynamic California press corps" and made a \$10 million General Fund appropriation to the effort while specifying that no more of that amount can be used than is matched by private contributions, most of which are expected to come from Google.

The bill charged GO-Biz with standing up and operating the new program. GO-Biz may use no more than 7.5 percent of the program fund for its administrative costs. GO-Biz' specific tasks include:

- establishing and appointing a nine-person advisory board to provide recommendations to Go-Biz for the allocation of private moneys in the fund;
- accepting contributions from private sources, including private for-profit and nonprofit organizations.
- directing the expenditure of public money in the fund consistent with the purpose of the Civil Media Program; and
- entering into agreements with third parties for purposes of administering programs funded with public moneys allocated from the fund.

GO-Biz has completed appointments to the Advisory Board and that Board is now meeting regularly. GO-Biz has also selected the James B. McClatchy Foundation (JBMF) as the third-party administrator for the Civic Media Program after conducting a competitive bid process. According to GO-Biz, JBMF is a California-based nonprofit with a "track record of administering multimillion-dollar journalism and newsroom grant programs." GO-Biz explains that JBMF will work with Journalism Funding Partners (JFP), which Google chose to administer its private contribution to the program. Together, JFP and JBMF will disburse funding based on the finalized state process, which remains under development.

This proposal would extend the California Civic Media Program for an additional two years.

Staff Recommendation: Hold open.