

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 4

Agenda

Senator Sydney Kamlager, Chair
Senator Anna Caballero
Senator Jim Nielsen
Senator Richard D. Roth



Wednesday, February 16, 2022

**Upon of Adjournment of the Joint Hearing Budget Subcommittee No. 4 on
State Administration and General Government and Senate Housing
Committee
State Capitol – Senate Chambers**

Consultant: James Hacker

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ITEMS FOR VOTE ONLY

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

Issue 1: Pay Data Enforcement

Governor’s Budget. The budget includes \$716,000 General Fund and 3 positions in 2022-23, and \$689,000 in General Fund and 3 positions in 2023-24 and ongoing, to analyze pay equity data and produce reports on an ongoing basis by industry showing the progress, or lack thereof, in demographic representation and gender pay equity.

Background. Department of Fair Employment and Housing (DFEH) receives, investigates, conciliates, mediates, and prosecutes complaints of alleged violations of the Fair Employment and Housing Act (FEHA), the Equal Pay Act, the Unruh Civil Rights Act, the Ralph Civil Rights Act, Civil Code section 51.9, the Disabled Persons Act, the California Trafficking Victims Protection Act, and Government Code section 11135 et seq (prohibiting discrimination in all state-funded activities and programs).

Government Code section 12999 was established by SB 973 (Jackson), Chapter 363, Statutes of 2020. This law requires that, on or before March 31, 2021, and on or before March 31 each year thereafter, a private employer with 100 or more employees and who is required to file an annual Employer Information Report (EEO-1 form) under federal law to the Equal Employment Opportunity Commission (EEOC) must submit a pay data report to DFEH that covers the prior calendar year, or “reporting year.” All California employers with over 100 employees will be subject to this law. The law also authorizes DFEH to enforce the Equal Pay Act (Labor Code section 1197.5), along with the Fair Employment and Housing Act, to address pay discrimination.

Staff Comments. The requested resources are an augmentation to those provided for the implementation of SB 973. Specifically, DFEH received approval for 4 positions and funding for IT infrastructure costs to develop and implement an online portal to accept employer pay data. All of the positions have been filled.

DFEH successfully implemented and opened an online portal to accept the first year of employer pay data reports from 2/1/2021-3/31/2021 and is now analyzing more than 20,000 submissions and pursuing approximately 4,000 non-filers. DFEH has indicated that recruiting additional in-house resources would allow the department to more readily analyze the significant volume of data provided to identify and enforce pay equity violations and other unlawful discrimination. These resources would include a labor economist, research scientist and digital forensic specialist, rather than solely relying on outside expert witnesses, who can be costly and have limited availability.

Staff Recommendation: Approve as Budgeted.

ITEMS FOR DISCUSSION

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT 0968 TAX CREDIT ALLOCATION COMMITTEE

Issue 2: Affordable Housing Package

Governor's Budget. The budget proposes \$2 billion in General Fund resources over two years to accelerate the development of affordable housing. This includes:

- \$500 million one-time General Fund (\$225 million in 2022-23, and \$275 million in 2023-24) for the Infill Infrastructure Grant program.
- \$300 million one-time General Fund (\$75 million in 2022-23, and \$225 million in 2023-24) for the Affordable Housing and Sustainable Communities program.
- \$100 million one-time General Fund (\$25 million in 2022-23, and \$75 million in 2023-24) to expand affordable housing development and adaptive reuse opportunities on state excess land sites.
- \$100 million one-time General Fund (\$50 million in 2022-23, and \$50 million in 2023-24) for adaptive reuse incentive grants.
- \$500 million in additional Low-Income Housing Tax Credits.
- \$200 million one-time General Fund (\$50 million in 2022-23, and \$150 million in 2023-24) for the California Housing Finance Agency Mixed Income Program.
- \$200 million one-time General Fund (\$50 million in 2022-23, and \$150 million in 2023-24) for the Portfolio Reinvestment Program.
- \$100 million one-time General Fund (\$25 million in 2022-23, and \$75 million in 2023-24) for HCD's Mobilehome Park Rehabilitation and Resident Ownership Program.

This proposal is summarized below:

Item	2022-23	2023-24	Total
Adaptive Reuse Program	\$ 50,000,000	\$ 50,000,000	\$ 100,000,000
Affordable Housing and Sustainable Communities	\$ 75,000,000	\$ 225,000,000	\$ 300,000,000
Infill Infrastructure Grant Program	\$ 225,000,000	\$ 275,000,000	\$ 500,000,000
Mixed Income Program	\$ 50,000,000	\$ 150,000,000	\$ 200,000,000
Mobilehome Park Rehabilitation and Resident Ownership Program (MPRROP)	\$ 25,000,000	\$ 75,000,000	\$ 100,000,000
Portfolio Reinvestment Program	\$ 50,000,000	\$ 150,000,000	\$ 200,000,000
State Excess Sites Program	\$ 25,000,000	\$ 75,000,000	\$ 100,000,000
Low Income Housing Tax Credits	\$ 500,000,000	\$ -	\$ 500,000,000
Total	\$ 1,000,000,000	\$ 1,000,000,000	\$ 2,000,000,000

Background. The Affordable Housing and Sustainable Communities (AHSC) Program was established through enactment of Chapter 36, Statutes of 2014 (SB 862) to provide funding for land-use, housing, and transportation projects to support infill and compact development that reduces greenhouse gas (GHG) emissions through the reduction of vehicle miles traveled. Funding for the AHSC program has historically been provided from the Greenhouse Gas Reduction Fund (GGRF), established to receive cap-and-trade auction proceeds. HCD implements AHSC under policy direction from the Strategic Growth Council (SGC).

The IIG program, enacted through Chapter 179, Statutes of 2007, awards grants to provide gap funding for infrastructure that supports higher-density affordable and mixed-income housing in locations designated as infill. Under the IIG program, developers and local governments can partner to apply for infrastructure grant funding. Since 2019, the state has invested over \$500 million General Fund in the IIG Program under slightly different rules as part of the IIG Program of 2019.

The Mixed Income Program (MIP) was created in the 2019-20 Budget to provide long-term financing for new construction of affordable multifamily developments that provide housing for Californians earning between 30% and 120% of the Area Median Income (AMI).

MPRROP was established in 1984 to provide deferred-payment loans to mobilehome parks for 1) acquisition and conversion for resident, nonprofit, and local public entity ownership generally in return for long-term affordability; 2) mobilehome owners to purchase an interest in a mobilehome park; 3) individuals in mobilehome parks previously assisted with MPRROP to rehabilitate or

replace their mobilehomes; and 4) replacement of a mobilehome park destroyed in a natural disaster. The program is funded through an annual per-mobilehome section registration fee for those mobilehomes that are not on a foundation system. As mobilehomes are installed on foundation systems and mobilehome owners voluntarily convert to property taxes, the amount of funding available diminishes each year.

The Portfolio Reinvestment Program was created as part of the 2021-22 Budget to provide loans or grants, or both loans and grants, to rehabilitate, capitalize operating subsidy reserves for, and extend the long-term affordability of HCD-funded housing projects that have affordability restrictions that have expired or are otherwise at-risk for conversion from affordable to market rate.

Low-Income Housing Tax Credits are state tax credits that finance the new construction of multifamily housing projects that also receive 4% federal tax credits, which also require the use of federally-limited Private Activity Bonds.

The 2021-22 budget included nearly \$5 billion for a variety of housing programs. These investments are summarized below (dollars in millions).

Housing Program	2021-22
Affordable Housing Backlog	\$ 1,750.0
Affordable Housing Preservation	\$ 300.0
Foreclosure Intervention Housing Program	\$ 500.0
Farmworker Housing	\$ 130.0
REAP of 2021	\$ 600.0
LIHTC	\$ 500.0
IIG	\$ 534.0
ADU Financing	\$ 81.0
1st-Time Homebuyer DPA	\$ 100.0
Housing Total	\$ 4,495.0

Staff Comments. The proposed two-year housing package consists of a mix of existing and new programs. The Administration has indicated that the funds for a new State Sites Excess Lands program will leverage state land as an asset to expedite housing opportunities by offering low-cost, long-term ground leases in exchange for affordable and mixed-income housing. The Administration has indicated proposed funding for the new Adaptive Reuse program would help remove cost impediments to adaptive reuse (e.g., structural improvements, plumbing/electrical design, exiting) of non-residential properties and help accelerate residential conversions, with a priority on projects located in downtown-oriented areas. These per-unit grants will be paired with other Department of Housing and Community Development's (HCD) awards to remove impediments in delivering adaptive reuse projects.

Additionally, the Administration has proposed a handful of changes to existing programs. Specifically, the Administration has indicated that demand for the MPRROP has been weak, in large part because the rules are complex and difficult to follow. Recently, an effort to address regulatory changes was halted in lieu of an opportunity to make statutory changes through a trailer bill. The Administration has proposed trailer bill language to change the MPRROP name to the Manufactured Housing Opportunity and Revitalization (MORE) Program; to streamline program participation and administration; and to expand its authority to provide funding to support climate goals and living conditions in mobilehomes and mobilehome parks.

This suite of proposals raises a number of questions about the state's approach to addressing the current housing affordability crisis. Specifically:

What is the overall strategy? Most land use and housing decisions are made at the local level. However, the state can use its financial resources to encourage specific kinds of development. The Administration has made the decision to focus on infill development and affordable rental housing. The Legislature should consider whether this approach is appropriate, or if resources should be prioritized in another way. For example, this package, and most historical funding, has focused on development and preservation of affordable rental housing. While there is clearly merit in this approach, it does not seek to encourage affordable homeownership as a potential solution.

How should the state balance competing priorities? The Administration has correctly identified that the state's housing crisis is connected to several issues, including climate change, homelessness, and other issues. This means that any housing-related proposal is inherently balancing several competing priorities. For example, the proposed budget attempts to address both housing affordability and climate change by focusing on infill development where possible. While there is merit in this approach, it is worth noting that it will lead to more resources being spent in urban or developed areas, and fewer in rural or undeveloped areas, despite housing affordability being a statewide issue. The Legislature should consider how best to balance these competing priorities to achieve the desired policy outcomes.

What programmatic changes are necessary to help the state reach its goals? The state has numerous existing housing-related funding programs, some going back years or decades. Some of these programs were designed before the current affordability crisis became acute, or were designed to address policy issues that are no longer state priorities. As such, in addition to deciding how to allocate funds between state programs, the Legislature may want to consider the extent to which statutory changes to existing programs are appropriate. For example, the Administration has identified changes to the MPRROP that may improve program administration and participation. Additionally, the IIG program of 2007 has one set of rules for allocating funding, while the IIG program of 2019 has another, as well as a set-aside for rural jurisdictions. Having two separate programs helps balance competing policy priorities, but is burdensome for participants and program administrators. The Legislature may want to consider the extent to which programs can be modified to better balance various goals and priorities and improve outcomes.

LAO Comments.

- ***Housing Budget Package.*** The Governor’s 2022-23 budget proposes \$2 billion General Fund one time for several major housing proposals, largely reflecting expansions of existing programs.
- ***Devote Attention to Overseeing Recent Augmentations.*** Prior to authorizing increased funding for new proposals, we suggest the Legislature dedicate the early part of the budget process to overseeing the implementation of last year’s significant housing augmentations.
- ***Assess How Governor’s Housing Package Moves State Forward Towards Addressing Housing Goals.*** Consider the extent to which the proposed augmentations align with the recent land use and housing policy changes the state has enacted. In addition, increased focus on where housing is built will be necessary to mitigate and adapt to the current and growing impacts of climate change.
- ***Consider Longer-Term Plan for Expanded State Role in Housing.*** Understanding the impact of recent budget augmentations and policy changes will better position the Legislature to determine where continued actions are necessary and help guide the state’s long-term fiscal strategy in addressing housing development and affordability.

Staff Recommendation: Hold Open.

0515 BUSINESS, CONSUMER SERVICES, AND HOUSING AGENCY

The Business, Consumer Services, and Housing Agency protects the public through the licensing and regulation of more than 100 businesses and 200 professional categories; regulates financial services and state-licensed financial institutions; regulates, licenses, and enforces the sale of alcoholic beverages and cannabis; regulates the horse racing industry; protects civil rights; prevents homelessness through the coordination of funding and services; and provides safe and affordable housing opportunities. The Agency oversees the Departments of Alcoholic Beverage Control, Cannabis Control, Consumer Affairs, Fair Employment and Housing, Financial Protection and Innovation, Housing and Community Development, and Real Estate; the California Housing Finance Agency; the Alcoholic Beverage Control Appeals Board; the Cannabis Control Appeals Panel, the California Horse Racing Board, and the California Interagency Council on Homelessness, previously named the Homeless Coordinating and Financing Council.

Budget Overview: The Governor’s budget proposes \$1.5 billion and 73 positions to support BCSH in the budget year, as shown in the figure below. This is an increase of 7 positions and roughly \$400 million from 2021-22.

3-YEAR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
0260 Support	16.0	19.0	26.0	\$3,566	\$4,362	\$5,949
0265 California Interagency Council on Homelessness	18.5	47.0	47.0	290,996	1,131,017	1,503,940
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	34.5	66.0	73.0	\$294,562	\$1,135,379	\$1,509,889
FUNDING		2020-21*		2021-22*		2022-23*
0001 General Fund		\$290,993		\$1,131,241		\$1,506,189
0240 Local Agency Deposit Security Fund		1		1		1
0299 Credit Union Fund		28		34		35
0317 Real Estate Fund		232		284		286
0995 Reimbursements		2,690		3,063		2,602
3036 Alcohol Beverage Control Fund		256		313		315
3153 Horse Racing Fund		37		46		61
3363 Financial Protection Fund		325		397		400
TOTALS, EXPENDITURES, ALL FUNDS		\$294,562		\$1,135,379		\$1,509,889

Issue 3: Workload Resources

Governor’s Budget. The budget includes \$1.5 million and seven positions in 2022-23 and ongoing to address the current and anticipated ongoing workload stemming from an increase in oversight and strategic coordination required to support existing Agency programs along with significant growth in new program responsibilities, specifically in the housing and homelessness portfolio of programs.

Background. The Business, Consumer Services, and Housing Agency was created in 2013 as part of Governor Brown’s Reorganization Plan Number Two of 2012 to:

- Protect consumers by licensing and regulating California professionals and businesses.
- Preserve, expand and fund safe and affordable housing opportunities.
- Protect the civil rights of all Californians from acts of hate violence and unlawful discrimination in employment, housing, and public accommodations.

BCSH originally had nine departments under its oversight and 15.0 employees to manage its workload. Agency has grown to provide oversight to 11 departments and directly administers the Cal Interagency Council on Homelessness with 19.0 authorized positions. In addition to increases and changes in the number of organizations under Agency’s umbrella, major housing and homelessness initiatives are underway and continue to be developed which have required significant additional oversight, hands-on input in crafting policy and implementation plans, and administration.

Staff Comments. The Administration has indicated that this request includes the following positions:

- 1.0 Deputy Secretary of External Affairs (Appointee with position and funding temporarily provided by HCD)
- 1.0 Information Officer II
- 1.0 Agency Budget Manager – Staff Services Manager II (Position and funding temporarily from Cal ICH)
- 1.0 Senior Advisor (Position and funding temporarily from Cal ICH)
- 1.0 Deputy Secretary of Equity and Strategic Initiatives (Appointee with position and funding temporarily provided by DFPI)
- 1.0 Housing Policy Specialist – Staff Services Manager I
- 1.0 Office Technician

Three of these positions - the Information Office II, the Housing Policy Specialist, and the Office Technician - would be new positions. The two Deputy Secretaries, the Agency Budget Manager, and the Senior Advisor positions are currently-existing positions that have been administratively created and funded by redirecting budgetary resources from other departments. The Administration has indicated these positions have been funded by salary savings, rather than the transfer of existing positions.

It is worth noting that Agency has one of the smaller staff sizes among the various statewide department, with 19 full-time staff as compared to 26 at the Transportation Agency, 33 and Health and Human Services, and 43 at Labor and Workforce Development. Given the dramatic increase in budgets and programs under BCSH's purview, additional staff seems warranted. However, as some of the requested positions were created administratively, the Legislature should consider to what extent they fit the Legislature's needs and intent when it comes to BCSH, and whether the requested level of resources is appropriate for the work the Legislature has directed BCSH to perform.

Staff Recommendation. Hold Open.

Issue 4: Encampment Resolution Grants

Governor’s Budget. The budget includes \$500 million one-time General Fund, and trailer bill language, to continue the Encampment Resolution Grant Program established in the 2021 budget.

Background. The 2021-22 budget included a \$12 billion package of homelessness services and rehousing funds to expand strategies and interventions across the full continuum of homelessness services. The Cal Interagency Council on Homelessness (ICH, formerly the Homeless Coordinating and Financing Authority) received \$50 million General Fund and staff resources for grants to aid in the resolution of encampments.

According to the U.S. Department of Housing and Urban Development’s 2020 Point-in-Time count, an estimated 161,000 people experienced homelessness at any given moment in California, and nearly 114,000 (70 percent) of these individuals are unsheltered, meaning they were living in places not meant for human habitation. A portion of the state’s unsheltered homeless population live in encampments in local parks, and along local streets and the state’s highway system.

Staff Comments. The Encampment Remediation grants included in the 2021 budget have just become available to applicants. The Administration has indicated that, as of December, 2021, ICH has received over \$120 million in applications for the \$50 million included in the 2021-22 budget. This suggests that there is a significant demand for funding. However, it is unclear if there is sufficient demand for \$500 million in new grants, particularly given the significant

Additionally, because Cal ICH is still in the process for distributing funding, it is too soon to assess outcomes from the first round of funding. This means that it is unclear what kinds of interventions are most successful at remediating encampments, what kinds of efforts should be replicated, and what kind of mistakes should be avoided. The Legislature should wait to act on this proposal until clearer data around outcomes is available.

Additionally, this funding would augment the budget year funding originally agreed to as part of the 2021 Budget Act, which includes:

- \$1.3 billion for Project Homekey
- \$1 billion in flexible aid to local governments
- \$1.4 billion for behavioral health infrastructure projects

The Legislature should assess this proposal in the context of other homelessness-focused funding in the proposed budget.

LAO Comments.

- *Devote Attention to Overseeing Recent Augmentations.* We suggest the Legislature dedicate the early part of the budget process to overseeing the implementation of last year’s significant homelessness augmentations. Prior to authorizing increased funding for the activities proposed in the 2022-23 budget, ensuring that the homelessness efforts

authorized in prior budgets are operating effectively, adequately supported, and can be maintained over time will be important.

- ***Consider Long-Term Plan for Ongoing Homelessness Efforts.*** In recent years, the state has increased its role in addressing homelessness by providing significant, albeit one-time and temporary, funding towards infrastructure and flexible aid to local governments in recent years. However, addressing this crisis requires a complex combination of services and infrastructure. As more information about recent state efforts becomes available, we suggest the Legislature assess which types of interventions appear most effective. This information could help guide the state's long-term fiscal and policy role in addressing homelessness.
- ***For Any Authorized Funds, Set Clear Expectations and Establish Metrics to Assess Performance.*** Setting clear expectations through statute and establishing reporting requirements to facilitate oversight over the state's progress towards addressing homelessness will be critical.

Staff Recommendation: Hold Open.

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

The Department of Fair Employment and Housing (Department) is responsible for protecting the civil rights of the people of California. The Department receives, investigates, conciliates, mediates, and prosecutes complaints alleging unlawful discrimination in employment, housing, and public accommodation, and acts of hate violence and human trafficking. The Department is authorized to commence prosecution by filing cases directly in court, and to seek attorney's fees and costs when it is the prevailing party. The Department's jurisdiction extends to individuals, private and public entities, housing providers, and business establishments within California.

Budget Overview: The Governor's budget proposes \$50 million and 315.3 positions to support DFEH in the budget year, as shown in the figure below. This is an increase of 10 positions but a decrease of roughly \$9 million from 2021-22.

3-YEAR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
1490 Administration of Civil Rights Law	247.1	304.2	314.2	\$38,890	\$59,313	\$49,168
1495 Fair Employment and Housing Council	1.2	1.1	1.1	222	221	221
1500 Department of Justice Legal Services	-	-	-	429	429	929
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	248.3	305.3	315.3	\$39,541	\$59,963	\$50,318
FUNDING				2020-21*	2021-22*	2022-23*
0001 General Fund				\$33,991	\$53,667	\$44,052
0890 Federal Trust Fund				5,550	5,760	5,730
3246 Fair Employment and Housing Enforcement and Litigation Fund				-	536	536
TOTALS, EXPENDITURES, ALL FUNDS				\$39,541	\$59,963	\$50,318

Issue 5: Administrative Resources

Governor’s Budget. The budget includes \$1.3 million General Fund and 7 positions in 2022-23, and \$836,000 General Fund and 7 positions in 2023-24 and ongoing, to provide additional resources to support DFEH’s administrative workload, including appeals, public records requests, media outreach, contracts and procurement, and accounting processes, and help administer a Statewide Hate Crime Hotline.

Background. DFEH receives, investigates, conciliates, mediates, and prosecutes complaints of alleged violations of the Fair Employment and Housing Act (FEHA), the Equal Pay Act, the Unruh Civil Rights Act, the Ralph Civil Rights Act, Civil Code section 51.9, the Disabled Persons Act, the California Trafficking Victims Protection Act, and Government Code section 11135 et seq (prohibiting discrimination in all State-funded activities and programs). DFEH also collects and analyzes pay and demographic data from large employers pursuant to Government Code section 12999. DFEH affirmatively investigates discriminatory practices within the State in accordance with its statutory mandate “to eliminate discrimination in California.”

In 2020, DFEH received 23,897 complaints from members of the public who alleged that their civil rights were violated. Of these, 13,707 were requests for an immediate “Right-to-Sue” in employment cases. 5,784 complaints were investigated by DFEH staff. As of January 2022 there were more than 7,235 open cases in DFEH’s case management system pending investigation.

SB 170 (Committee on Budget and Fiscal Review), Chapter 240, Budget Act of 2021, appropriated \$10 million to DFEH for the administration and implementation of a Statewide Hate Crime Hotline, with funds available for encumbrance and expenditure until June 30, 2025.

Staff Comments. DFEH’s request for additional resources is based on staffing needs in DFEH’s Executive Programs and Administrative Services Divisions to support the recent expansion of the department. DFEH has expanded significantly in the past two fiscal years, with a 29 percent increase in staffing. Despite this large increase in workforce, the administrative functions within DFEH have not been expanded to match. As such, additional resources seem generally reasonable. However, additional review of workload data is necessary to assess the appropriate level of additional resources to provide.

Staff Recommendation: Hold Open.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

The Department of Housing and Community Development's (HCD's) mission is to promote safe, affordable homes and strong vibrant communities throughout California by (1) administering housing finance, economic development, and community development programs, (2) developing housing policy and advocating for an adequate housing supply, and (3) developing building codes and regulating manufactured homes and mobilehome parks. HCD also provides technical and financial assistance to local agencies to support community development.

The California Housing Finance Agency's (CalHFA's) mission is to create and finance progressive housing solutions so more Californians have a place to call home. The Agency's Multifamily Division finances affordable rental housing through public and private partnerships, while its Single Family Division finances first mortgage loans and down payment assistance loans to first-time homebuyers through a network of preferred lenders. CalHFA, a statutorily independent agency and component unit of state government, is not subject to Budget Act appropriation. CalHFA is displayed, for budgetary reporting purposes only, within HCD's budget.

Budget Overview: The Governor's budget proposes \$3.4 billion and 1,327.9 positions to support HCD in the budget year, as shown in the figure below. This is an increase of roughly 40 positions but a decrease of roughly \$9 billion from 2021-22, mostly due significant one-time funding provided in the 2021-22 budget.

3-YEAR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
1660 Codes and Standards Program	181.4	247.0	246.6	\$33,769	\$42,198	\$42,863
1665 Financial Assistance Program	350.2	696.0	722.4	5,027,488	11,412,416	3,227,308
1670 Housing Policy Development Program	57.0	122.0	135.3	196,026	693,252	59,245
1675 California Housing Finance Agency	176.7	223.6	223.6	32,089	37,850	38,019
1680 Loan Repayments Program	-	-	-	-5,678	-1,944	-1,944
1685 HPD Distributed Administration	-	-	-	-52	-180	-180
9900100 Administration	209.9	-	-	24,383	-	-
9900200 Administration - Distributed	-	-	-	-24,383	-	-
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	975.2	1,288.6	1,327.9	\$5,283,642	\$12,183,592	\$3,365,311

Issue 6: Codes Field Operations Staffing Increase

Governor’s Budget. The budget includes an augmentation of \$393,000 in state operations from the Mobilehome-Special Occupancy Park Revolving Fund (Fund 0245) to support 3.0 positions in 2022-23 and ongoing.

Background. HCD’s Division of Codes and Standards (Codes) develops, administers, adopts, and enforces uniform statewide building standards to ensure the health and safety of Californians. HCD is responsible for the implementation of the Mobilehome Parks program (MP), the Mobilehome Park Maintenance program (MPM); and Special Occupancy Parks program (SOP).

The Mobilehome Parks Act requires HCD or in some cases a city, a county, or a city and county, approved as the local enforcement agency (LEA), to enter and inspect mobilehome parks to ensure enforcement of the Act. In response to disasters within the state, the MPM program was created in 1990 to conduct detailed park health and safety inspections, and now establishes a goal for HCD or the LEAs to inspect five percent of mobilehome parks annually. The program is supported through a \$4.00 per-lot fee that has remained unchanged since its creation. The Special Occupancy Parks Act regulates SOP’s by requiring any person, prior to operating a SOP, to obtain a valid permit issued by the enforcement agency, as specified. All three of these programs are funded by fees collected by enforcing agencies.

According to the Department of Finance, approximately 1.6 million Californian’s reside in mobilehomes. Residents of mobilehome parks tend to be older and have lower income than the overall population. HCD has enforcement responsibility for 82 percent of the mobilehome parks and 76 percent of the lots in the state.

Staff Comments. Of the 5,186 mobilehome parks scattered throughout the state, 714 are SOPs (often referred to as Recreational Vehicle (RV) parks) and are increasingly used for transitional living due to the extreme housing affordability crisis in the state. The trending business model in which mobilehome park owners rent specialized RV parks or tent camps, (often referred to as “glamping”) require a SOP PTO. It has been reported to Codes that many property owners are illegally operating glamping facilities on private property across the state without local approval and without required permits to operate from HCD. The Administration has indicated that at current staffing levels Codes is unable to investigate and enforce compliance with the Act and HCD regulations to ensure these facilities meet required standards.

Codes is currently budgeted for 48 full-time positions statewide. This has not increased since 2015-16. These 48 field inspectors are responsible for monitoring the health and safety of approximately 6,251 mobilehome parks, special occupancy parks, and 399,518 park lots throughout California. The total number of field operations assignments has increased by 22 percent from 2014-15 to 2019-20 as homeowners emerged from the recession. Additionally, a 2019-20 audit by the California State Auditor noted that HCD has no record of entering and inspecting 10 percent of mobilehome parks within the last decade. The Administration has indicated that additional staff will help address this.

Codes staffing has remained consistent since 2014-15 despite an increase in workload and shortcomings in current performance identified by the California State Auditor. However, it is unclear whether the requested three positions is appropriate or sufficient to address these issues. The Legislature should consider the extent to which the requested staff will meet the identified workload, or whether an alternate level of resources is appropriate.

Staff Recommendation: Hold Open.

Issue 7: Consolidated Housing Accountability Application Procurement Project

Governor’s Budget. The budget includes \$6,713,000 in state operations from the General Fund in 2022-23 to improve its monitoring and management of loans and grants business programs through the procurement and implementation of a new enterprise Information Technology (IT) solution.

Background. HCD oversees more than 80 programs and funding from application through closeout for construction, acquisition, rehabilitation and preservation of affordable rental and ownership housing, homeless shelters and transitional housing, public facilities, and infrastructure. The Department’s overall budget has increased by 547 percent over the past four fiscal years, 57 percent of which is comprised of federal funding.

A 2018 audit by the State Auditor states that despite concerns raised in prior audits, HCD has not fulfilled its obligation to monitor its recipients’ use of housing bond funds. Audit report also stated that, even though HCD had implemented the Consolidated Automated Program Enterprise System (CAPES) database, CAPES does not have the necessary functionality to accurately monitor HCD’s housing bond programs. The CSA recognizes that the challenges HCD faces to appropriately monitor its housing bond programs stem, in part, from inadequacies in its CAPES system. The CAPES system was implemented in 2007 and has a limited ability to generate reports. It requires users to perform unnecessarily steps to access information, and issues with database design complicate HCD’s ability to develop ad hoc reports to monitor its loans and grants, respond timely and accurately to stakeholder requests, and answer complex research questions.

Staff Comments. The Administration has indicated that, due to the limitations inherent in the legacy systems, staff have developed and use manual data collection workarounds such as Microsoft (MS) Excel spreadsheets and MS Word documents, often maintained in desktop environment or shared files with limited access. In effect, the Department has several decentralized shadow databases, which lack a database audit trail, create multiple conflicting versions of program data, and lack necessary controls to prevent common data-keying errors from being introduced to the systems. When the Department receives requests to provide program specific information, staff must consolidate and compare multiple data sources, including data extracts from CAPES, individually maintained spreadsheets, and other documents. This manual process is prone to human error and results in data gaps that impacts everything from accurate reporting on program outcomes to financial record reconciliation and can result in audit and monitoring findings.

While the status quo has many issues and is not sustainable, the Legislature may want to delay action on this proposal until additional information about this procurement is available. Specifically, it is worth noting that the requested funding is one time and does not include ongoing operating costs for any newly-acquired system.

Staff Recommendation: Hold Open.