

# SUBCOMMITTEE NO. 4

# Agenda

Senator Anna Caballero  
Senator Jim Nielsen  
Senator Maria Elena Durazo



Thursday, March 5, 2020  
9:30 a.m. or Upon Adjournment of Session  
State Capitol - Room 2040

Consultants: James Hacker and Meron Tesfaye

## PROPOSED FOR VOTE-ONLY

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## ISSUES PROPOSED FOR VOTE-ONLY

### 0650 OFFICE OF PLANNING AND RESEARCH (OPR)

#### Issue 1: Greenhouse Gas Reduction Fund Technical Adjustments

The budget includes an extension and re-appropriation of funds received from the Greenhouse Gas Reduction Fund (GGRF) for the Transformative Climate Communities (TCC) Program and the Climate Change Research (CCR) Program.

The Legislature appropriated \$10 million in GGRF funds to the Strategic Growth Council (SGC) in the Budget Act of 2017 of which \$9.5 million was allocated for local assistance to TCC Round 2 grantees. Currently, the liquidation deadline for this appropriation is June 20, 2026. In the Budget Act of 2018, the Legislature appropriated an additional \$40 million, of which \$38 million was allocated for local assistance to TCC Round 2 grantees. Currently the liquidation deadline for this appropriation is June 30, 2022, earlier than the 2026 deadline for the other appropriations. Reappropriating these funds would allow OPR to complete the 7-year grant agreements typical in TCC projects.

In the 2018-19 budget, the Strategic Growth Council was allocated \$18 million in California Climate Investments Program funds to administer a second round of grant awards to support the California Climate Change Technology and Solutions Initiative. Currently, the grants from the 2017 appropriation are scheduled to end in FY 2020-21, while the grants from the 2018 appropriation are scheduled to end in FY 2021-22. Given the technical nature of the grants, OPR believes that some, if not all of the grantees will need to ask for extensions to their projects. CCR program staff would like to proactively extend the liquidation periods for both the 2017 and 2018 CCR appropriations.

#### Issue 2: California Transportation Plan Assessment (AB 285)

The budget includes limited term funding for 1.0 position and \$349,000 (including \$150,000 in one time contract funding in 2020-21 and then \$199,000 thereafter) from the General Fund in 2020-21 through 2022-23 to meet the statutory requirements set forth in AB 285 (Friedman), Chapter 605, Statutes of 2019.

AB 285 directs the SGC to submit a report to the Legislature by January 31, 2022 that assesses 1) how the California Transportation Plan and other transportation planning efforts influence the configuration of a statewide, multimodal transportation system, and 2) how the state's transportation and housing grant program could be better aligned and coordinated. The limited-term resources will allow OPR to complete the report required by AB 285.

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**1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING (DFEH)****Issue 3: Protection against “Source of Income” Housing Discrimination (SB 329)**

The budget requests \$528,000 in General Funds in 2020-21 and ongoing and four positions for the implementation of the recently expanded definition of “source of income,” a category in California’s Fair Employment and Housing Act (FEHA) that protects against housing income discrimination enacted via SB 329 (Mitchell), Chapter 600, Statutes of 2019. The bill removed the exception in FEHA that previously allowed landlords to turn away otherwise qualified tenants for relying on public assistance to help them pay their rent. Consequently, SB 329 creates a new class of housing discrimination complaints that DFEH would be required to litigate, mediate or resolve. Using similar source-of-income housing discrimination jurisdictions and related complaints from many other states as an estimate, DFEH is requesting funding to respond to the incoming new class of complaints.

**Issue 4: Extending Filing Deadline for Employment Discrimination (AB 9)**

The budget requests \$315,000 in General Funds in 2020-21 and ongoing and 3.0 positions in for DFEH to handle additional employment discrimination, harassment or retaliation complaints pursuant to AB 9 (Reyes), Chapter 709, Statutes of 2019, which extends complaint filing deadline from one year to three years from last date of harm. Prior to AB 9, complaint filed indicating a last date of harm greater than one year was considered untimely and turned away. With the newly extended deadline, complaints previously deemed untimely and additional new complaints from complainants who didn’t file a complaint due to the one year limitation will be considered. Using prior year in-house data of rejected untimely complaints, DFEH makes a conservative estimate that their complaint intake workload would increase by a minimum of 5.5 percent. Funding is required to cover necessary expenditure associated tracking cases, managing documentation, and staff necessary for handling increased number of calls and complaints to fully enact AB 9.

**Staff Recommendation:** Approve Vote Only Items as Budgeted.

## ISSUES PROPOSED FOR DISCUSSION

### 0650 OFFICE OF PLANNING AND RESEARCH

The Office of Planning and Research (OPR) assists the Governor and the Administration in planning, research, policy development, and legislative analyses. OPR formulates long-range state goals and policies to address land use, climate change, population growth and distribution, urban expansion, infrastructure development, groundwater sustainability and drought response, and resource protection. OPR maintains and updates the General Plan Guidelines, the California Environmental Quality Act (CEQA) Guidelines, and operates the CEQA Clearinghouse. OPR also houses and supports the Strategic Growth Council (SGC).

**Budget Overview:** The Governor's budget proposes \$660 million and 82.4 positions to support OPR in the budget year, as shown in the figure below. This is an increase of 13 positions but roughly the same level of expenditures.

#### 3-YEAR EXPENDITURES AND POSITIONS †

	Positions			Expenditures		
	2018-19	2019-20	2020-21	2018-19*	2019-20*	2020-21*
0360 State Planning & Policy Development	12.2	21.5	22.5	\$13,691	\$78,077	\$48,396
0365 California Volunteers	21.3	24.8	35.3	72,523	68,250	50,576
0370 Strategic Growth Council	14.0	23.1	24.6	619,957	514,111	561,640
<b>TOTALS, POSITIONS AND EXPENDITURES (All Programs)</b>	<b>47.5</b>	<b>69.4</b>	<b>82.4</b>	<b>\$706,171</b>	<b>\$660,438</b>	<b>\$660,612</b>
<b>FUNDING</b>		<b>2018-19*</b>		<b>2019-20*</b>		<b>2020-21*</b>
0001 General Fund		\$43,293		\$100,716		\$34,651
0890 Federal Trust Fund		41,659		43,839		52,784
0995 Reimbursements		803		2,256		4,274
3228 Greenhouse Gas Reduction Fund		619,799		513,080		568,074
9740 Central Service Cost Recovery Fund		617		547		829
<b>TOTALS, EXPENDITURES, ALL FUNDS</b>		<b>\$706,171</b>		<b>\$660,438</b>		<b>\$660,612</b>

† Fiscal year 2018-19 budget display reflects the best available information for use in decision-making for this department and/or these fund(s). Additional review and reconciliation of 2018-19 ending fund balances will occur in the spring to evaluate if a budget adjustment is required.

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**Issue 5: California Volunteers Infrastructure Strategy**

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**Governor's Budget.** The budget includes 10.0 positions and \$1,742,000 General Fund in FY 2020-21 and 12.0 positions and \$1,689,000 General Fund in FY 2021-22 and ongoing to support California Volunteers' multifaceted investment in the service and civic engagement fabric of California.

**Background.** Authorized through the federal Serve America Act (2009) and Executive Order S-24-06, California Volunteers is the State Service Commission for California. The Administration has set a target of 10,000 AmeriCorps volunteers in the state. The 2019-20 budget included \$20 million in one-time funds, available over two years, from the General Fund to support the expansion of AmeriCorps. In addition, this funding supported a state funded increase in the educational award provided to certain new and existing members from \$6,095 (FY 2019 rate) to \$10,000.

OPR has indicated that California Volunteers issued the first round of grants in the fall of 2019 to twelve new programs supporting 360 new members. These new programs are focused on building service initiatives in underserved communities in the central valley region.

**Staff Comment.** According to the Corporation for National and Community Service (CNCS), the federal entity that funds AmeriCorps, California ranks 47th in volunteer rate (CNCS, Volunteer Report). In 2018, the volunteer rate in California was 25.4%. This is compared to the number one ranking state, Utah, where there is a 51% volunteer rate.

OPR has indicated that this proposal serves two purposes: expanding the program support infrastructure necessary to expand to the 10,000 volunteer target, and providing resources to do volunteer outreach to recruit participating programs and individual volunteers. While there is merit in pursuing the 10,000 volunteer target, and therefore in establishing the programmatic infrastructure to achieve it, the Administration anticipates that additional state funds would be needed to work towards the goal of 10,000 service members and continue to build the service and volunteerism infrastructure for AmeriCorps. As the Administration noted in the 2020-21 Governor's Budget Summary, OPR is continuing to work on the expansion of AmeriCorps, with an updated budget request likely forthcoming in the spring. As such, it is appropriate to withhold action on this item until the full resource requirement is known.

**Staff Recommendation.** Hold Open.

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**Issue 6: Cap and Trade Expenditure Plan: Climate Resilience Research, Regional Collaboration, and Implementation**

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**Governor’s Budget.** The budget includes \$25 million annually for five years of proposed ongoing funding from the Greenhouse Gas Reduction Fund (GGRF) for OPR, the California Natural Resources Agency (CNRA), and the California Energy Commission (CEC) to support four complimentary climate adaptation and resilience programs.

**Background.** Since 2006, at the direction of Executive Order S-3-05, the state has undertaken four comprehensive climate change assessments, designed to assess the impacts and risks from climate change and identify potential solutions to inform policy actions. Each of the four assessments has focused on a specific area of inquiry and has been linked to specific policy drivers, and in some instances, to specific policy outcomes. The Fifth Assessment is scheduled to begin in the 2020-21 budget year.

AB 109 (Ting), Chapter 249, Statutes of 2017, created a climate change research program within the Strategic Growth Council (SGC). The Climate Change Research Program (CCR) advances the SGC’s vision to support healthy, vibrant, and resilient communities by investing in actionable, partnership-based research to inform climate actions that directly benefit California communities. The SGC is authorized to issue CCR grants pursuant to the Budget Act of 2019. There are two staff positions at SGC implementing and managing the CCR Program. SGC will administer \$4.7 million from the 2019-20 Budget in 2020.

SB 246 (Wieckowski), Chapter 606, Statutes of 2015, established the Integrated Climate Adaptation and Resiliency Program (ICARP) in 2017. The program’s charge is to coordinate regional and local efforts with state climate adaptation strategies in support of local implementation. Per the enabling legislation, the program currently has two components: the State Adaptation Clearinghouse, a centralized source of information and resources to assist decision makers at the state, regional, and local levels when planning for and implementing climate adaptation efforts, and the Technical Advisory Council (TAC) supports OPR in facilitating coordination among state, regional, and local agency adaptation efforts.

SB 1072 (Leyva), Chapter 377, Statutes of 2018, established the SGC Regional Climate Collaboratives (RCC) program, which support under-resourced communities to develop networks of partners to advance climate adaptation and resilience while prioritizing work in disadvantaged and vulnerable communities. SB 1072 required SGC to 1) develop technical assistance guidelines by July 1, 2020, and 2) establish a Regional Climate Collaborative Program to assist under-resourced communities to access statewide public and other grant moneys. SGC received three limited-term positions in the 2019-20 budget to develop the technical assistance guidelines required by SB 1072.

**Staff Comment.** The 2020-21 funding requested here is divided between the four programs described above as follows:

- Fifth Climate Assessment: \$7.6 million
  - Core Technical Reports (California Natural Resources Agency): \$6 million
  - Administration and Research Outreach (OPR / SGC): \$600,000
  - Tribal Outreach (CEC): \$1 million

- Climate Change Research Program: \$5 million
  - SGC Staffing: \$540,000
  - Research Grants and Core Technical Reports Fifth Assessment: \$4.45 million
  
- ICARP (SB 246): \$7.4 million
  - ICARP Strategy Development: \$1.3 million
  - ICARP Monitoring, Evaluation, and Decision-Support Tools: \$1 million
  - Regional Resilience Coordinators: \$5 million
  - Climate Working Group; \$100,000
  
- SB 1072: \$5 million
  - Regional Climate Collaborative Grants: \$5 million

The five year funding for these programs under this proposal is outlined below.

### Governor’s New Climate Change Research and Technical Assistance Proposals

*(In Millions)*

Category	Department	2020-21	2021-22	2022-23	2023-24	2024-25	Totals
SB 1072 <sup>a</sup> implementation	SGC	\$5.0	\$8.0	\$6.0	\$8.0	\$8.0	\$35.0
Expand ICARP activities	OPR	7.4	6.8	6.5	6.7	6.7	34.0
5th climate change assessment	OPR, SGC, CNRA, CEC	7.6	3.2	11.7	3.3	3.3	29.2
Climate Change Research program	SGC	5.0	7.0	0.8	7.0	7.0	26.8
<b>Totals</b>		<b>\$25.0</b>	<b>\$25.0</b>	<b>\$25.0</b>	<b>\$25.0</b>	<b>\$25.0</b>	<b>\$125.0</b>

<sup>a</sup>Chapter 377 of 2018 (SB 1072, Leyva).

SGC = Strategic Growth Council; ICARP = Integrated Climate Adaptation and Resilience Program; OPR = Governor’s Office of Planning and Research; CNRA = California Natural Resources Agency; and CEC = California Energy Commission.

Source: LAO

The ICARP program has been well-received at the local level, and expanding the services the program offers has merit. Additionally, the Legislature funded the development of the Regional Climate Collaborative grant program in the 2019-20 budget with the understanding that OPR would fund the grants in the out years.

There is merit in funding the Fifth Climate Assessment and SGC CCR, as they have provided valuable information for policy makers in the past. However, it is unclear why the requested level of funding for these programs is the appropriate level. Additionally, any decision regarding these programs should be made in the context of the larger GGRF budget.



**LAO Comments**

***Proposals Represent Significant Expansion of State’s Climate-Related Research and Technical Assistance Efforts.*** Providing an additional \$25 million in ongoing funding for climate adaptation research and technical assistance activities would be a significant increase compared to existing funding and state-level efforts. As noted above, the state currently supports only two staff to work on the relatively narrowly scoped ICARP program, has not appropriated significant funding from the state budget for previous climate assessments, and has provided just limited-term funding for climate change research at SGC.

***Proposals Focus on Important State-Level Activities.*** Given the significant challenges that the impacts of climate change pose for California, we believe the Governor’s focus on increasing the state’s adaptation efforts has merit. While much of the work to prepare for the effects of climate change needs to happen at the local level, it is appropriate for the state to help support those efforts. The state can take advantage of its economies of scale and provide guidance to help ensure that local governments’ adaptation efforts are both cost-effective and consistent. As such, we find that the types of activities the Governor includes in his proposals—conducting and disseminating research, developing tools that can be widely used, clarifying statewide priorities and setting measurable objectives, and assisting vulnerable and under-resourced communities—are worthwhile areas on which to focus state-level efforts.

***Proposals Are Not Only Approach for Expanding State Climate Adaptation Activities.*** While the types of state-level activities the Governor proposes are reasonable, his package of proposals is not the only way the state can effectively respond to climate change. The Governor’s proposed funding increase provides an important opportunity for the state—and the Legislature—to set an agenda for how it wants to enhance and expand California’s state-level climate adaptation efforts in the coming years. Specifically, the proposed augmentation creates a decision-making juncture around (1) what climate adaptation research and technical assistance activities the state wants to undertake, (2) how much the state wants to spend on those activities, and (3) which state-level entities should undertake them. The Governor’s proposal represents one approach to answering these questions, but an alternative package with a somewhat different design could also be reasonable and help achieve key statewide climate adaptation objectives.

For example, the Legislature could develop a package that places a comparatively lesser focus on research—given all of the climate research being conducted by other state departments and universities—and greater emphasis on providing technical assistance and support to local stakeholders. In conducting research for our recent report, *Preparing for Rising Seas: How the State Can Help Support Local Coastal Adaptation Efforts*, interviewees repeatedly cited a lack of—and desire for—a state-level entity upon which they might be able to call for advice, technical assistance, comparison data, and real-world examples to help inform their adaptation decisions. The Governor’s proposal to fund regional climate coordinators through ICARP could help address this need, but so too would establishing a state-funded center of climate expertise upon which local stakeholders could rely for support.

Additionally, the Governor’s proposed funding level of \$25 million does not represent a “right” number for state-level climate research and technical assistance efforts—the Legislature could provide a greater or lesser amount of funding depending on what is needed to support the activities it deems to be priorities. Moreover, the Governor assigns most of his proposed climate response activities to OPR and SGC. While these offices have been involved in the state’s nascent adaptation efforts, so too have

CNRA and several of its departments. The Legislature could consider a different governance structure around which to organize augmented climate adaptation technical assistance and research efforts. For example, it could follow a more centralized approach—such as by tasking most responsibilities to one department—or a more decentralized approach—such as by assigning discrete initiatives and funding to a wider array of state departments.

***Lack of Statutory Framework for New Policy Initiatives Limits Legislative Direction and Oversight.***

The Governor does not propose statutory language to implement any of the components of this new \$25 million GGRF proposal. While the Legislature frequently grants the administration broad authority to implement programs through budget appropriations, such an approach does not provide the same level of legislative input and oversight as legislation. Clarifying program goals and design components in statute provides more specific direction to the administration about how the program should be implemented in a way that reflects legislative priorities. Moreover, such statutory guidance gives the Legislature—and the public—a legal framework for holding the administration accountable in following those directions.

The Governor’s various proposals would represent a significant expansion of the state’s climate adaptation efforts and would make several new or previously limited-term activities into ongoing state programs. Given the Legislature’s considerable interest in responding to climate change—and its previous involvement in setting goals for climate mitigation efforts—it may not want to cede full discretion to the administration by establishing these efforts only through the budget without accompanying statute to guide their implementation. We believe a greater emphasis on climate adaptation in state policy warrants a more explicit role for the Legislature.

For example, the Governor’s proposal to expand ICARP activities without a statutory framework would mean that this program would have some of its activities explicitly directed by statute, and other activities—with significantly greater levels of associated funding—guided primarily by OPR’s discretion. A more consistent approach would be to define all of the program’s funded responsibilities in statute. The Legislature could also adopt statute that helps to direct those activities, such as by specifying the types or categories of adaptation goals on which ICARP should focus when developing the proposed resilience metrics. Similarly, it might want to specify areas of focus for climate research, including the *Fifth California Climate Change Assessment*, to help guide future state actions. This could include specifying that the research identify the state’s highest climate vulnerabilities and the best approaches to prioritize and “buy down” that risk.

***Multiple Research Initiatives Might Make Strategic Coordination Difficult.*** The Governor’s proposal includes funding for three separate climate change research programs—(1) the *Fifth California Climate Change Assessment*, for which four separate state entities would contract for original research on a number of topics; (2) the SGC Climate Change Research program, intended to fund original research projects that address climate knowledge gaps and have a particular focus on vulnerable communities; and (3) a new science advisory workgroup that would synthesize existing climate research to help guide decisions by the state and the ICARP Technical Advisory Council. These proposals are in addition to ongoing climate-related research related to the energy sector at CEC, as well as other existing state-level climate research managed by state departments such as the Delta Stewardship Council, Ocean Protection Council, and DWR. Moreover, many academic institutions around the state—including the UC system, Stanford, and the University of Southern California—are also making climate change a central focus of their research. As noted above, we believe conducting scientific research to inform adaptation decisions at both the state and local levels is both an appropriate and worthwhile activity for the state to take on. Because of their scale, state-level efforts often are more cost-effective

than individual jurisdictions attempting to conduct their own research, and can help ensure that adaptation efforts undertaken across the state are informed by data that is consistent. However, the multiple initiatives and departments associated with the Governor’s proposal could make it difficult to ensure that state funding for research is used in the most effective and strategic manner. Careful coordination would be necessary to ensure these numerous research efforts are complementary and not duplicative, each initiative and managing department has a specific and distinct focus, and the selected research topics are broadly beneficial and applicable for informing state and local adaptation decisions.

**Staff Recommendation.** Hold Open.

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**Issue 7: Legislative and Legal Staff Increase**

**Governor’s Budget.** The budget includes \$357,000 from the General Fund in 2020-21 and ongoing to establish 2.0 positions to support OPR’s growing amount of legal and legislative work.

**Background.** There are a number of statutory obligations and budget programs at OPR that require legal review and attention. The core OPR budget programs include Planning and Policy, Strategic Growth Council (SGC), and California Volunteers. In addition in recent years, multiple new statutory obligations and funding programs have been added to OPR, including the Integrated Climate Adaptation and Resiliency Program (2015), Federal Grants Administrator (2016), Precision Medicine (2016), the Online Learning Lab (2018), Commission on Catastrophic Wildfire Cost and Recovery (2018), Cradle-to-Career (2019), the Higher Education Innovation program (2019), as well as additional funding to California Volunteers for Emergency Preparedness Grants and new and expanded grant programs at SGC.

**Staff Comment.** OPR has indicated that the staffing for the legal and legislative work has not kept pace with the significant growth at OPR and its various statutory obligations and budget programs over the past few years. Specifically, OPR has seen an increase in the number of grant programs that require contract development and execution (which requires legal workload), as well as an increase in PRA requests and litigation.

Additionally, OPR has indicated that they anticipate that there may be statutory changes to CEQA that would require OPR to propose parallel regulatory changes to CEQA’s implementing guidelines, known as the CEQA Guidelines. The most recent proposed update included changes to approximately 30 different sections of the CEQA Guidelines and took five years to complete the pre-rulemaking and rulemaking processes. This process required 0.5-0.75 FTE of attorney time.

Since 2013, the number of proposed bills expressly naming OPR or SGC has steadily increased. In the 2013-2014 legislative session, 28 bills directed OPR or SGC to take on new responsibilities, alter aspects of existing programs, or assist other agencies with their programs. This increased to 30 bills in the 2015-2016 legislative session, and 34 bills in the 2017-2018 session. In the first half of the 2019-2020 session, there are currently 38 pending bills that directly affect OPR and SGC.

Currently, OPR is trying to meet the required legal and legislative workload by shifting program work between existing attorneys. It is reasonable to believe that additional resources would allow OPR to more efficiently meet these workload requirements. However, given the uncertainty around some of the workload estimates, the appropriate level of resources is unclear.

**Staff Recommendation.** Hold Open.

## 1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING (DFEH)

The Department of Fair Employment and Housing (DFEH) is the main agency tasked with protecting Californians from hate violence, human trafficking and unlawful discrimination in employment, housing and public accommodations. DFEH receives, investigates, conciliates, mediates, and prosecutes complaints of alleged violations of the Fair Employment and Housing Act (FEHA), Unruh Civil Rights Act, Disabled Persons Act, Ralph Civil Rights Act, the California Trafficking Victims Protection Act, and Government Code Section 11135, prohibiting discrimination in all state-funded activities and programs. DFEH also houses the Fair Employment and Housing Council, which is a seven-member body appointed by the Governor, that researches, drafts and promulgates regulations interpreting civil right laws enforced by the Department.

**Budget Overview:** The Governor's 2020-21 budget proposes an overall funding of \$40.6 million for DFEH. This is an overall increase of \$6.9 million in funding and 43.7 in staff position allocations from baseline appropriations. This reflects an overall 17 percent funding increase and a 22 percent staffing increase for DFEH.

### Operations Expenditure

Code	Program	Actual 2018-19*	Estimated 2019-20*	Proposed 2020-21*
1490	Administration of Civil Rights Law	\$32,093	\$36,196	\$39,895
1495	Fair Employment and Housing Council	\$10	\$10	\$222
1500	Department of Justice Legal Services	\$185	\$415	\$429
<b>Total Expenditures (All Programs)</b>		<b>\$32,288</b>	<b>\$36,621</b>	<b>\$40,546</b>

### Staffing Expenditure

Code	Program	Actual 2018-19*	Estimated 2019-20*	Proposed 2020-21*
1490	Administration of Civil Rights Law	215.7	195.5	238.2
1495	Fair Employment and Housing Council	-	-	1.0
1500	Department of Justice Legal Services	-	-	-
<b>Total Positions (All Programs)</b>		<b>215.7</b>	<b>195.5</b>	<b>239.2</b>

### Expenditure by Fund

Fund Code	Fund	Actual 2018-19*	Estimated 2019-20*	Proposed 2020-21*
0001	General Fund	\$26,921	\$30,609	\$34,275
0890	Federal Trust Fund	\$5,105	\$5,750	\$5,735
3246	Fair Employment and Housing Enforcement and Litigation Fund	\$262	\$262	\$536
<b>Total Expenditures (All Funds)</b>		<b>\$32,288</b>	<b>\$36,621</b>	<b>\$40,546</b>

\*Dollars are in thousands

**Issue 8: Addressing Increased Enforcement and Administrative Workload**

**Governor's Budget.** This budget proposal seeks to increase DFEH expenditure by \$6.1 million in 2020-21, \$6.4 million ongoing and by 36.7 positions to support increase in volume of civil rights complaints. This is a 17 percent funding increase and a 19 percent staffing increase from last fiscal year allocations.

**Background.** California DFEH received 28,633 complaint intake forms in 2019 from a range of areas including employment, housing, civil rights violation and, human trafficking. Half of those complaints, had grounds for immediate right to sue while more than a quarter resulted in filed cases where cases were investigated and ultimately resulted in mediation, settlement, litigation, high priority systemic cases or other resolutions. For the last five years, DFEH has seen a continuous rise in the volume of complaints. The last two years respectively reported 18 and 28 percent more complaints relative to 2016-17, which marks the last administrative workload staffing increase. The department attributes this rise to increased outreach and education efforts, increased statutory jurisdiction, complainants and advocates preference to pursue cases in California, changing social norms, and heightened media attention and public awareness. Recently, DFEH has restructured its screening process to an early stage in an effort to prioritize meritorious cases and perform strategic investigations and prosecutions to deter future discrimination and harm. Consequently, DFEH staff with legal and civil rights expertise are utilized early in the process to identify and track cases with strong evidence and potential for systemic litigation. With the increased volume, DFEH has been experiencing strains like an 11-month backlog in the Appeals Unit, 50-minute average call wait times in the Communications Center, and multiple unlitigated systemic cases.

**Staff Comment.** Proposed DFEH allocation of funds is going towards:

- \$4.8 million in General Funds to expand DFEH state positions by 36.7 new full-time slots including single staff for FEH Council workload.
- \$713,000 in General Funds for operational expenses including case management tracking licenses and long-term expert witness retainer agreements. Combined with the staffing request above, this reflects an overall increase of 19 percent in staffing and 16 percent in overall operations expenditure.
- \$274,000 increase from currently appropriated of \$262,000 (totaling \$536,000) for attorney fees and litigation related expenses from the FEH Litigation Fund.
- \$9,000 in General Funds to increase the Fair Employment and Housing (FEH) Council activities baseline funding of \$ 10,000. FEH Council has been holding more public meetings which has resulted in high operations and unanticipated expenditure.
- \$250,000 in General Funds to fund expansion of the Elk Grove Office, and lease new space in Riverside. DFEH has five offices across the state, however, the highest volume of complaints received originate in Southern California, which is served largely by the Los Angeles office.

While request for increased administrative and enforcement resources given the increase in workload is merited, the funding request reflects a potentially large undertaking for the requested staff positions. The budget requests for permanent staff, which begs further clarification on the future trend of the volume of complaints. Lastly, litigation costs for the department reflect a notable rise that is worth further clarification.

**Staff Recommendation.** Hold Open.



## 2240 CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

The Department of Housing and Community Development's (HCD's) mission is to preserve and expand safe and affordable housing opportunities and promote strong communities for all Californians 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) mission is to create and finance progressive housing solutions so that more Californians have a place to call home. The agency is financially self-supporting, setting loan interest rates slightly above its costs and charging fees to cover investments related to bond proceeds. Since 2013, pursuant to the Governor's Reorganization Plan No. 2 of 2012, CalHFA has been displayed within HCD's budget and reports to the Business, Consumer Services, and Housing Agency.

**Governor's Budget:** The budget provides \$1.8 billion and supports 909 positions at HCD in 2019-20, including roughly 234 positions at the California Housing Finance Agency. This is a decrease of roughly \$800 million from 2019-20, largely due to the large infusion of one-time grant funds provided to HCD in the 2019-20 budget.

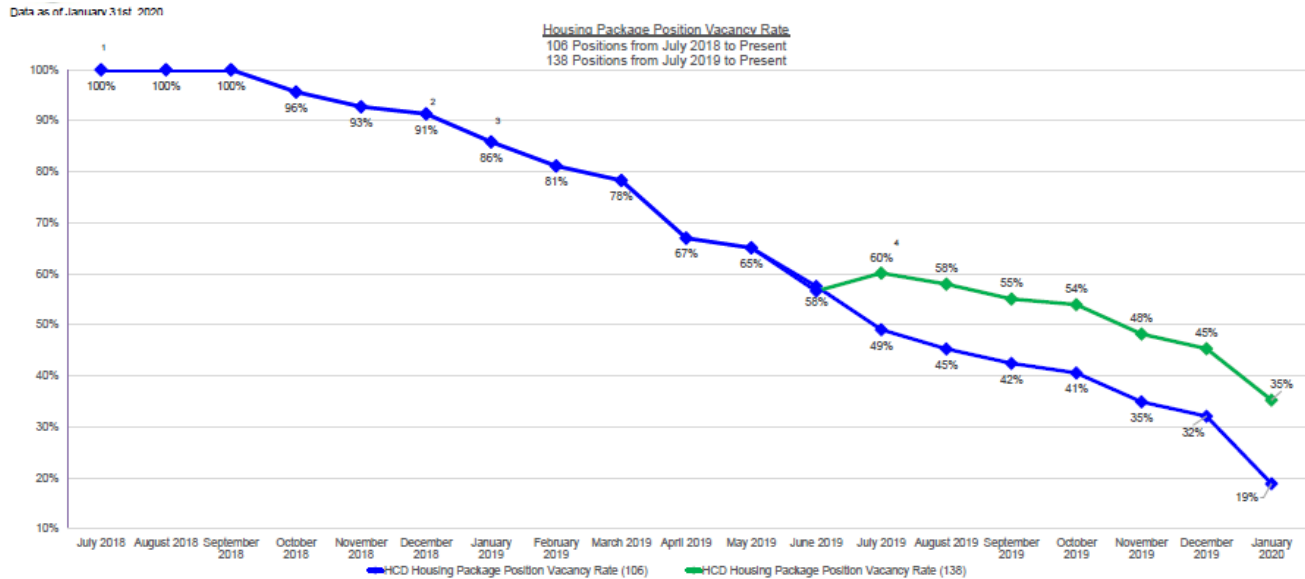
### 3-YEAR EXPENDITURES AND POSITIONS †

	Positions			Expenditures		
	2018-19	2019-20	2020-21	2018-19*	2019-20*	2020-21*
1660 Codes and Standards Program	170.2	173.7	179.4	\$34,944	\$37,198	\$40,913
1665 Financial Assistance Program	274.1	308.2	331.2	2,069,252	2,299,191	1,727,713
1670 Housing Policy Development Program	39.1	53.1	57.0	131,412	275,463	37,903
1675 California Housing Finance Agency	200.2	234.2	234.2	35,532	43,133	42,477
1680 Loan Repayments Program	-	-	-	-1,944	-1,944	-1,944
1685 HPD Distributed Administration	-	-	-	-167	-178	-179
9900100 Administration	117.5	106.8	107.2	22,512	25,768	27,324
9900200 Administration - Distributed	-	-	-	-22,512	-25,768	-27,324
<b>TOTALS, POSITIONS AND EXPENDITURES (All Programs)</b>	<b>801.1</b>	<b>876.0</b>	<b>909.0</b>	<b>\$2,269,029</b>	<b>\$2,652,863</b>	<b>\$1,846,883</b>

† Fiscal year 2018-19 budget display reflects the best available information for use in decision-making for this department and/or these fund(s). Additional review and reconciliation of 2018-19 ending fund balances will occur in the spring to evaluate if a budget adjustment is required.

**Issue 9: Update on Implementation of Recent Legislation and Other Administrative Issues**

**Background.** Numerous pieces of legislation passed in the 2017-18, and 2018-19 sessions resulted in increased workload at HCD. As a result, HCD was provided with more than 200 additional resources over the last two budget cycles to implement these bills. To-date, HCD has taken steps to fill these positions and implement the requirements of these bills. HCDs staffing level and vacancy rate related to these bills is summarized below.




Additionally, HCD has taken action to modify the timelines of the numerous grant programs administered by the department, consistent with current law. This has been intended to ease the administrative burden on HCD and streamline the application process for grant recipients. The updated program timelines impacted by this effort is detailed on the next page.

Questions for the Department:

- What is HCD doing to fill the remaining vacancies in a timely manner?
- What is a reasonable vacancy rate for the department?
- What issues has HCD encountered while seeking to fill these positions, and what has the department done to address them?
- How does the updated NOFA timeline impact the department? How does it impact grantees?

**Staff Recommendation:** Oversight item, no action required.



 <b>California Department of Housing and Community Development</b> <b>Notice of Funding Availability Calendar</b> 2019/20 Q2 Update - 10/11/2019															
<b>IMPORTANT UPDATE:</b> The NOFA calendar below reflects recent efforts by the Department to re-sequence NOFA issuance. As a result, program NOFA, application and award dates may have changed. Programs identified by * below are part of this re-sequencing plan.															
	FY 2019/20									FY 2020/21					
	Qtr 2			Qtr 3			Qtr 4			Qtr 1		Qtr 2			
	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Funds Available by Quarter	\$1.695 Billion			\$708 Million			\$283 Million			\$369 Million		\$541 Million			
<b>Ongoing Programs</b> NOFA Amounts in Millions															
AHBC		NOFA \$590			Apps Due					Awards			NOFA \$400		
VHHP		NOFA \$75		Apps Due					Awards					NOFA \$75	
CDBG <sup>1</sup>	Competitive			NOFA \$60			Apps Due				Awards				
	Non-Competitive				Applications Over-the-Counter										
HOME <sup>1</sup>		NOFA \$42		Apps Due				Awards	NOFA \$35		Apps Due			Awards	
ESG <sup>1</sup>					NOFA \$11		Apps Due		Awards						
Federal funds available to non-entitlement jurisdictions only. NOFA amounts are based upon 2018 funding levels and are subject to change.															
<b>SB2 - Building Jobs and Homes Act (Dedicated Source)</b> NOFA Amounts in Millions															
CESH	** all funds awarded **														
PLHA <sup>*</sup> Formula	Entitlement				NOFA \$179		Applications Over-the-Counter				Awards				
	Non-Entitlement														
PLHA Competitive										NOFA \$13		Apps Due			
Planning Grants	Over-the-Counter														
Farmworker	**SB2 Farmworker funding will be released in conjunction with Sens Program NOFA under SB3 - see detail below														
<b>No Place Like Home (Prop 2)</b> NOFA Amounts in Millions															
NPLH	Non-Competitive	Applications Over-the-Counter													
	Competitive	NOFA \$622			Apps Due					Awards					
<b>SB3 - Veterans and Affordable Housing Bond Act (Prop 1)</b> NOFA Amounts in Millions															
MHP			Awards	NOFA \$175		Apps Due			Awards	NOFA \$175		Apps Due			Awards
CalHOME <sup>*</sup>		NOFA \$57		Apps Due				Awards							
SERNA <sup>*</sup>			NOFA \$70		Applications Over-the-Counter				NOFA \$70		Applications Over-the-Counter				
LHTF <sup>*</sup>							NOFA \$57		Apps Due			Awards			
IG	NOFA Issuance Date Pending - see timing for IG (201920 General Fund Allocation) below														
TOD <sup>*</sup>							NOFA \$75		Apps Due				Awards		
<b>Other</b> NOFA Amounts in Millions															
IG	Competitive	NOFA \$194			Apps Due			Awards			NOFA \$194		Apps Due		
	Over-the-Counter	NOFA \$85	Applications Over-the-Counter												
HHC (NTHF)			Awards		NOFA \$33		Apps Due				Awards				
MPPROP <sup>*</sup>							NOFA \$46		Applications Over-the-Counter				NOFA \$46		
Local Early Action Planning				NOFA \$125	Applications Over-the-Counter										
Regional Early Action Planning				NOFA \$125	Applications Over-the-Counter										

NOTE: Timelines and NOFA amounts are subject to change

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**Issue 10: Workload Resources (Various Legislation)**


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**Governor’s Budget.** The budget includes a General Fund augmentation of \$5.06 million for 22.0 positions in 2020-21, \$4.13 million for 22.0 positions in 2021-22, \$3.97 million for 17.0 positions in 2022-23 and \$3.81 million for 16.0 positions in 2023-24 and ongoing to address workload associated with the enforcement of housing laws passed during the 2019 legislative session.

Background. HCD issues grants and loans to create and preserve affordable housing opportunities, registers mobilehomes, protects the health and safety of Californians by enforcing standards for housing construction, plays a critical role in the planning process, and develops policies that support housing and community development. As in recent years, 2019 saw the passage of a number of bills dealing with housing-related issues. These bills will likely drive increased workload at HCD.

**Staff Comments.** The relevant 2019 bills include the following:

<b>Bill</b>	<b>Description</b>	<b>Request</b>
AB 143 (Quirk-Silva), Ch. 336, Statutes of 2019	Review and approve homeless shelter ordinances in Orange County, Alameda County, and San Jose	1.0 PY through 2023, \$159,000 per year through 2022-23
AB 173 (Chau), Ch. 448, Statutes of 2019	Manage the extension of a limited tax amnesty program for mobilehome owners	\$524,000 in one-time funds
SB 280 (Jackson), Ch. 640, Statutes of 2019	Propose building standards for aging-in-place home designs	1.0 PY through 2022 \$176,000 in 2021-22, \$160,000 in 2022-23
SB 13 (Wieckowski), Ch. 653; AB 881 (Bloom), Ch. 659; AB 68 (Ting), Ch. 655; and AB 671 (Friedman), Ch. 658, Statutes of 2019	Auxiliary Dwelling Unit (ADU) related legislation	3.0 PYs \$552,000 in 2020-21, \$521,000 ongoing
AB 1010 (Eduardo Garcia), Ch. 660, Statutes of 2019	Technical Assistance and grant administration for tribal authorities	3.0 PYs \$688,000 in 2020-21 \$641,000 ongoing
AB 1255 (Robert Rivas), Ch. 661, Statutes of 2019	Provide lists of surplus properties to the Department of General Services	0.5 PY \$96,000 ongoing

AB 1483 (Grayson), Ch. 662, Statutes of 2019	Develop a 10-year housing data strategy to inform policy development and enforcement	4.0 two-year limited term PYs \$945,000 in 2020-21 \$685,000 in 2021-22
AB 1485 (Wicks), Ch. 663, Statutes of 2019	Technical Assistance for a streamlined ministerial approval process for certain Bay Area affordable housing	1.0 PY \$203,000 in 2020-21 \$187,000 ongoing
AB 1486 (Ting), Ch. 664, Statutes of 2019	Post available surplus properties and enforce surplus land laws	4.0 PYs \$929,000 ongoing
SB 6 (Beall), Ch. 667, Statutes of 2019	Review annual submissions of land available for residential development from local governments	0.5 PY \$96,000 ongoing
SB 330 (Skinner), Ch. 654, Statutes of 2019	Technical assistance to local governments related to housing permitting	2.0 PYs \$413,000 in 2020-21 \$382,000 ongoing
N/A	Administrative support related to the above legislation	2.0 PYs \$275,000 ongoing

While it is reasonable to believe that the above bills will drive significant additional workload at HCD, the Legislature should ensure that HCD is administratively and practically capable of onboarding this many new resources within the required timeframe and without interruption to existing activities.

**Staff Recommendation:** Hold Open.

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**Issue 11: Transit Oriented Development Program Alignment**

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**Governor's Budget.** The budget includes an appropriation increase of \$53,146,000 in 2020-21 and \$37,246,000 in 2021-22 in local assistance for the Transit Oriented Development (TOD) Program.

**Background.** The TOD Program was established through Proposition 1C in 2006 by Chapter 27, Statutes of 2006, to develop or facilitate higher density housing and mixed-use developments within one-quarter mile of transit stations and to encourage increased public transit ridership. HCD awarded \$300 million for TOD projects through three funding rounds in 2007-08, 2009-10, and 2013-14, all of which were substantially oversubscribed. While Proposition 1C funds were fully awarded by 2013-14, \$15.9 million is available due to disencumbrances and project incompleteness.

Chapter 364, Statutes of 2017 enacted Proposition 1, which authorized \$2.85 billion in bonds for HCD-administered housing programs and is the first significant investment in existing programs since enactment of Proposition 1C in 2006. Proposition 1 allocated \$150 million to fund additional housing projects through the TOD program. In implementing Proposition 1, HCD assumed all programs would be awarded over a four year period. Based on this assumption, the annual appropriation for the TOD program would be \$37,246,000 per year over four years.

**Staff Comments.** The department has indicated that with this change, HCD would award all Proposition 1 and \$15.9 million in remaining Proposition 1C TOD funds over two years: \$90,392,000 in 2020-21 (includes \$74,492,000 in Proposition 1 TOD funding and \$15,900,000 in remaining Proposition 1C TOD funding) and \$74,492,000 in Proposition 1 TOD funding in 2021-22. This would allow the department to increase the average award size for these funds. Substantially increasing the size of the funding rounds will increase developer interest and result in more competitive applications and ultimately better housing and infrastructure projects. This would also enable HCD to more efficiently review and evaluate the TOD applications.

**Staff Recommendation.** Approve as Budgeted.

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**Issue 12: Federal Community Development Block Grant - Disaster Recovery Grant Adjustment**

**Governor's Budget.** The budget includes a Federal Trust Fund augmentation of \$87,359,000 for local assistance in 2020-21 and \$184,000 in state operations for 1.0 position in 2020-21, and \$169,000 ongoing to oversee the distribution of the 2017 Community Development Block Grant – Disaster Relief (CDBG-DR) funds for disaster preparedness and mitigation needs.

**Background.** In late 2017, California experienced severe wildfires in Northern and Southern California. In response to these fires, Congress approved \$212,374,000 in CDBG-DR funds for necessary disaster recovery expenses. On April 10, 2018, the Department of Housing and Urban Development (HUD) announced California would receive \$124 million for recovery and \$88,219,000 for preparedness and mitigation needs.

**Staff Comments.** In late 2018, HUD determined that HCD's existing information technology (IT) infrastructure was not sufficient for HCD to continue to administer CDBG-DR grants. HUD is now requiring HCD to procure additional IT systems as a precondition of receiving CDBG-DR funds. The Budget Act of 2019 included resources to 1) procure an IT system that would meet HUD's requirements, 2) establish four permanent staff to create a Disaster Response and Recovery (DRR) unit at HCD, and 3) \$250,000 for a consultant contract to perform a local needs assessment and data compilation related to the 2018 Camp and Woolsey wildfires.

The one requested position will implement a Grants Management system as required by HUD. The proposed system will be utilized for HCD's current CDBG and pending CDBG-DR funds and must be able to track all financial transactions based upon Generally Accepted Accounting Principles (GAAP) and have an external online portal for clients to submit information. The proposed IT specialist position will have a workload dedicated to managing the vendor's implementation of the new system and will act as liaison with the vendor on an ongoing basis to identify support needs. The vendor will provide the systems training and direct support. The department has indicated that this will allow them to administer and distribute the \$87.4 million in federal CDBG-DR funds allocated this year.

**Staff Recommendation.** Approve as Budgeted.

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**Issue 13: Housing Development Technical Assistance**

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**Governor's Budget.** The budget includes a local assistance General Fund augmentation of \$10,000,000 per year for three years to provide technical assistance to local governments to help them develop new housing projects to meet State housing goals.

**Background.** The Legislature and the Governor have recognized that the availability of housing is a matter of statewide concern. California anticipates a population of 50 million people by 2050, underscoring the importance of adequately addressing climate change and housing goals. Further, California's high housing cost and lack of housing supply compromises the ability to access opportunity (jobs, health, stability) for families and individuals, including working families and persons with special needs.

The 2019-20 budget provided significant funding to help local governments plan for and prepare to develop additional housing. This included \$500 million for the Infill Infrastructure Grant Program of 2019, as well as \$250 million in grants to local governments and regional entities to plan for additional housing development and to become housing-ready. These funds were intended to provide additional resources for the governmental entities doing the hard work of planning and preparing for additional housing development - local governments.

**Staff Comments.** The department has indicated that, while some local and regional governments have demonstrated the capacity to put funds provided in 2019-20 immediately to use. However, others, predominantly smaller and rural governments, may struggle to do so. As such, the department has indicated that the requested funds will allow HCD to assist local governments in putting grant funds provided in 2019-20, specifically the \$250 million in planning grants, to productive use.

However, the department has not provided significant detail behind how these funds will be utilized. For example, in some cases HCD will be able to provide Technical Assistance in the form of direct aid from HCD staff. In other cases, the department may have to hire outside consultants to do so. Additionally, it is unclear how these funds will be distributed across the state, or whether certain governments will be prioritized for assistance. As such, it is reasonable to delay action on this item until the department provides this additional information.

**Staff Recommendation:** Hold Open.

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**Issue 14: Employee Housing Field Inspection**

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**Governor's Budget.** The budget includes \$356,000 in 2020-21 and \$319,000 ongoing in reimbursement authority to fund 2.0 positions to address the increasing workload related to the inspection of Employee Housing facilities.

**Background.** The Legislature enacted the Employee Housing Act in 1979 and designated HCD as the enforcement agency, defining employee housing and the required permits to operate. This law was enacted for the benefit of persons living in privately owned and operated employee housing facilities to provide minimum standards for their health, safety, general welfare, and a decent living environment. Additionally, the Act also provides protection for the general public which may be impacted by conditions in and around employee housing facilities. Currently, HCD administers and enforces the Act under the Employee Housing Program (EH) in the Division of Codes and Standards. The EH program collects fees on the processing of permits to operate (PTO), inspections and re-inspections.

The U.S. Department of Labor's (DOL's) Temporary Agricultural (H-2A) Program provides housing at no cost to temporary agricultural workers. Since many of these housing facilities are statutorily defined as employee housing, they must be permitted to operate and be inspected annually or biannually by HCD. Therefore, in April of 2018, the Employment Development Department (EDD) transferred jurisdiction of all employee housing facilities to HCD. Since there is a chronic shortage of agricultural workers, the H-2A program is growing, creating an influx in regulatory requirements for HCD.

**Staff Comments.** Health and Safety Code section 17000 requires HCD to inspect EH facilities annually, or biannually if privately owned, and if operated employee housing facilities have five or more employees. Currently, there are 729 permitted EH facilities under HCD enforcement authority, which houses approximately 25,000 employees. Recreational companies, such as ski resorts and rafting companies, maintain employee housing for seasonal employees; however, the majority of permitted facilities house farmworkers working in agricultural-based industries including packaging and distribution facilities. EH facilities are mostly concentrated in rural agricultural areas, including the central valley and coastal communities, but may also include hotels or motels in urban areas.

In 2017-18, HCD assumed inspection responsibility from EDD for approximately 379 additional EH facilities related to agricultural workers, increasing the demand for HCD EH inspections by almost 65 percent. HCD has also seen an increase in EH facilities requesting new PTOs. HCD has been unable to meet inspection requirements with current resources, inspecting approximately only 25 percent of facilities annually.

During 2017-18, HCD received 207 new applications, up from 133 the previous year. Projected estimates assume HCD will see 15 percent growth in 2019-20 as H2A facilities become aware of the changed requirements, then level off to a seven percent increase. The department has indicated that the increase in PTO applications will support the additional 2.0 authorized positions and allow the 40.0 existing positions to charge time to the EH program when conducting EH related inspections.

**Staff Recommendation:** Approve as Budgeted.



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**Issue 15: Long-Term Monitoring and Compliance Workload**

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**Governor's Budget.** The budget includes an increase of \$1,541,000 to the Housing Rehabilitation Loan Fund and \$431,000 in reimbursement authority in 2020-21 and 8.0 positions, and \$2,067,000 to the Housing Rehabilitation Loan Fund and \$416,000 in reimbursement authority ongoing and 11.0 positions to provide long-term monitoring and compliance resolution of affordable housing projects.

**Background.** Per Health and Safety Code sections 50406, 50768, and 50771.1, HCD is required to conduct long-term monitoring of affordable housing projects to ensure that each project fulfills its obligations for receiving public funds from HCD. These obligations are captured in agreements between the project sponsor and the state and monitoring is conducted annually for the duration of the agreement (up to 55 years from project completion).

If a housing sponsor is significantly out of compliance with the loan or regulatory agreements, the task of bringing the project back into compliance is transferred to the Compliance Resolution Program (CRP) Unit to resolve the noncompliant issues. Noncompliance can be fiscal (i.e., failure to keep debt service current on senior loans or failure to repay HCD loan upon expiration of the term) or performance based (i.e., maintaining the property in a poor condition, providing fewer affordable rental units than required, charging rents that are too high, sale or transfer of single-family properties to ineligible individuals). The work of both monitoring affordable housing projects and ensuring compliance with affordability requirements falls to the Asset Monitoring and Compliance (AMC) branch within HCD.

**Staff Comments.** Existing programs, or programs that have already been established within the monitoring portfolio include the Multifamily Housing Program, Transit-Oriented Development Program, Affordable Housing and Sustainable Communities Program, and the Veterans Housing and Homelessness Prevention Program. While the portfolio of existing programs is increasing, the work is also becoming increasingly complex as many projects are receiving loans from multiple HCD programs, which increases the complexity of monitoring the programs. The number of multifamily projects in existing programs will increase from 1,222 to 1,443 by 2021-22.

Additionally, new programs, or programs that have yet to transition to the AMC branch will require additional implementation work. The new programs with the greatest impact on workload include the Roberti Affordable Sales Program (ASP), No Place Like Home (NPLH), the National Housing Trust Fund (NHTF) Program, and Housing for a Healthy California (HHC). For example, the Roberti ASP, contracted through Caltrans brings a program for the sale of over 260 single and multifamily properties in the Los Angeles/Pasadena area to AMC, with responsibilities to oversee all sales contracts plus ensure program compliance through long term monitoring.

It is reasonable to believe that the additional funding provided for affordable housing programs in recent years will drive increased long-term monitoring workload at HCD, which will in turn produce more compliance workload. However, given the uncertainty surrounding this workload, particularly with the new nature of many of the cited programs, it is unclear why the requested level of resources is appropriate.

**Staff Recommendation:** Hold Open.



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**Issue 16: Multifamily Housing Program Clean Up**

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**Governor’s Budget.** The budget includes trailer bill language to clean-up the Housing Rehabilitation Loan Fund (Fund 0929) authorizing HCD to expend loan repayments from legacy programs for new loans in the Multifamily Housing Program (MHP) to maximize resources available for multifamily housing production.

**Background.** The Multifamily Housing Program (MHP) was enacted by SB (Alarcon), Chapter 637, Statutes of 1999 and was intended to replace multiple housing programs that HCD had previously administered. The program is designed to assist the new construction, rehabilitation and preservation of permanent and transitional rental housing for lower income households. Senate Bill 3 (X), Chapter 365, Statutes 2017, authorized the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1). This measure was adopted by voters on November 6, 2018. It authorizes the issuance of bonds in the amount of \$1.5 billion for MHP.

Expenditure authority for MHP is contained in the program statute, not within the Housing Rehabilitation Loan Fund (Fund 0929) authorizing statute. Specifically: HSC 50675.3: Any moneys appropriated and made available by the Legislature for the purposes of this chapter [meaning the MHP program] . . . shall be deposited in the Housing Rehabilitation Loan Fund established by Section 50661.

Authorized use of the Fund 0929 is limited to HCD’s older, legacy programs which have not been active for decades, as well as a few other special uses authorized by the Legislature. Since 1999, the primary expenditures from the fund have been for the MHP program, through the expenditure authority in the program statutes and fund transfers. The total amount transferred to Fund 0929 from various funds for the MHP program (and MHP Supportive Housing Program) since 2000-01 is \$3.3 billion, including the \$1.5 billion authorized via Proposition 1.

**Staff Comments.** The department has indicated that the proposed trailer bill would accomplish the following:

- Allow loan repayments from legacy housing programs to be expended for new loans in the Multifamily Housing Program.
- Resolves a technical issue that limits expenditure of funds for the Multifamily Housing Program to funds allocated specifically to the program after its enactment in 1999.
- By adding the Multifamily Housing Program as an authorized use of the Housing Rehabilitation Loan Fund, up to \$95 million could be made available for the new housing projects through the Multifamily Housing Program.

While there is merit in the Administration’s proposal, the Legislature should ensure that any statutory change reflects the Legislature’s overall strategy to develop additional affordable housing and combat homelessness across the state.

**Staff Recommendation:** Hold Open.