

*Senate Budget and Fiscal Review—Nancy Skinner, Chair*

# SUBCOMMITTEE NO. 4

# Agenda

**Senator Richard D. Roth, Chair**  
**Senator Anna M. Caballero**  
**Senator Roger W. Niello**



**Thursday, April 20, 2023**  
**9:30 a.m. or Upon Adjournment of Session**  
**1020 N. Street - Room 100**

Consultants: Timothy Griffiths and Diego Emilio J. Lopez

### ITEMS FOR VOTE ONLY

<b>0515 Business, Consumer Services, and Housing Secretary</b> .....	<b>3</b>
Issue 1: Information Security Resources .....	3
Issue 2: Implementation of the Homeless Equity for Left Behind Populations Act .....	4
<b>1700 Civil Rights Department</b> .....	<b>5</b>
Issue 3: Pilot Fair and Welcoming Business Environment Certification Program .....	5
Issue 4: Enforcement of Employment Discrimination Law Related to Cannabis Use .....	6
Issue 5: Housing Voucher Discrimination Prevention Caseload Increase .....	7
Issue 6: Enforcement of Recently Enacted Leave from Work Laws .....	8
Issue 7: Staff Increase to Implement Pay Data Reporting Expansion.....	9
Issue 8: Workload and Administrative Resources .....	10
<b>2240 Department of Housing and Community Development</b> .....	<b>11</b>
Issue 9: Workload Resources for Implementation of Various Legislation .....	11
Issue 10: Monitoring of Factory-Built Housing.....	16
Issue 11: Registration and Titling Program Staff Increase .....	17
Issue 12: Housing Program Reporting Requirement Shift.....	18
Issue 13: Affordable Housing and High Roads Job Act Technical Cleanup .....	19
Issue 14: Housing for Individuals Experiencing Homelessness .....	20

Issue 15: Technical Budget Bill Changes ..... 21  
 Issue 16: Changes to the Excess Sites Local Government Matching Grants Program ..... 22  
 Issue 17: Technical Changes to the Infill Infrastructure Grant Program of 2019 ..... 23

**ITEMS FOR DISCUSSION**

**0515 Business, Consumer Services, and Housing Secretary ..... 24**  
 Issue 18: Homeless Housing, Assistance, and Prevention (HHAP) Grants & Accountability for State Homelessness Spending Generally ..... 24  
**1700 Civil Rights Department ..... 34**  
 Issue 19: Transfer Funding and Spending Authority for Contract Legal Services ..... 34  
**1700 Civil Rights Department ..... 35**  
**2240 Department of Housing and Community Development ..... 35**  
 Issue 20: Implementation and Enforcement of Local Tenant Preference Legislation ..... 35  
**2240 Department of Housing and Community Development ..... 37**  
 Issue 21: CalHome Reduction (with Restoration Trigger)..... 37  
 Issue 22: Employee Housing Regulation Fund Establishment and Increase in Inspectors..... 39  
 Issue 23: Community Development Block Grant—Disaster Recovery ..... 42  
 Issue 24: Changes to the Definition of “Rural Areas” for the Purposes of Housing Funding and Changes to the Joe Serna Jr. Farmworker Housing Grant Program..... 44  
**2245 California Housing Finance Agency ..... 46**  
 Issue 25: California Dream for All Program Reduction (with Restoration Trigger) ..... 46  
 Issue 26: Accessory Dwelling Unit Grants Reduction (with Restoration Trigger)..... 48  
 Issue 27: Separating CalHFA from HCD..... 49

Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

## ITEMS FOR VOTE ONLY

**0515 BUSINESS, CONSUMER SERVICES, AND HOUSING SECRETARY**

**Issue 1: Information Security Resources**

**Governor’s Budget Proposal.** The Governor’s budget requests \$731,000 in 2023-24 and \$223,000 in 2024-25 and ongoing from various funding sources and 1.0 position for the Business, Consumer Services and Housing Agency (Agency) 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 the data-and cyber-security domain.

**Background.** According to the Agency, the requested resources will include the establishment of a permanent Agency Information Security Officer (AISO) as well as one-time contractor assistance to create the Agency Security Framework. The Agency Security Framework will establish a specific model, or set of guidelines, for the departmental implementation of each component of Cal Secure.

Cal-Secure Mandated Capabilities				
Phase 1 (FY21-22)	Phase 2 (FY22-23)	Phase 3 (FY23-24)	Phase 4 (FY24-25)	Phase 5 (FY25-26)
<ul style="list-style-type: none"> <li>• Anti-Malware Protection</li> <li>• Anti-Phishing Program</li> <li>• Multi-Factor Authentication</li> <li>• Continuous Vulnerability Management</li> </ul>	<ul style="list-style-type: none"> <li>• Asset Management</li> <li>• Incident Response</li> <li>• Continuous Patch Management</li> <li>• Privileged Access Management</li> <li>• Security and Privacy Awareness Training</li> <li>• Security Continuous Monitoring 24x7</li> <li>• Cloud Security Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Data Loss Prevention</li> <li>• Log Management</li> <li>• Network Threat Detection</li> <li>• Network Threat Protection</li> <li>• Threat Intelligence Program</li> <li>• Application Security</li> <li>• Operational Technology Security</li> </ul>	<ul style="list-style-type: none"> <li>• Disaster Recovery</li> <li>• Enterprise Sign-on</li> <li>• Mobile Device Management</li> <li>• Application Development Security</li> <li>• Application Whitelisting</li> <li>• Software Supply Chain Management</li> </ul>	<ul style="list-style-type: none"> <li>• Identity Lifecycle Management</li> <li>• Insider Threat Detection</li> <li>• Network Access Control</li> <li>• Enterprise Encryption</li> <li>• Mobile Threat Defense</li> </ul>

**Staff Recommendation.** Approve as budgeted.

---

**Issue 2: Implementation of the Homeless Equity for Left Behind Populations Act**

**Governor’s Budget Proposal.** The California Interagency Council on Homelessness (Council), within the Agency requests authorization for two positions and \$339,000 General Fund in 2023-24, two positions and \$323,000 General Fund in 2024-25 and ongoing to implement SB 914 (Rubio), Chapter 665, Statutes of 2022.

**Background.** SB 914, the Homeless Equity for Left Behind Populations (HELP) Act, requires the Council, by January 1, 2025, to establish initial goals to prevent and end homelessness among domestic violence survivors, their children, and unaccompanied women, and then to evaluate those goals at least every two years thereafter to determine whether updates are needed.

**Comparison to Senate Appropriations Estimate:** The requested amount is roughly consistent with the cost estimates considered by the Senate Appropriations Committee, which were: “approximately \$328,000 in the first year and \$312,000 annually thereafter, for 2.0 personnel years (PY) of staff.”

**Staff Recommendation.** Approve as budgeted.

---

**1700 CIVIL RIGHTS DEPARTMENT****Issue 3: Pilot Fair and Welcoming Business Environment Certification Program**

**Governor’s Budget Proposal.** The Civil Rights Department (CRD) requests one position, \$245,000 General Fund in 2023-24, and \$243,000 in General Fund annually through 2027-28 to implement the provisions of AB 2448 (Ting), Chapter 515, Statutes of 2022.

**Background.** CRD enforces the state’s primary anti-discrimination laws including, of particular relevance to this request, the Unruh Civil Rights Act, which prohibits business establishments of any kind whatsoever from subjecting their customers to arbitrary discrimination.

In response to reports of increasing incidents of unlawful harassment and discrimination taking place at California businesses, AB 2448 directed CRD to establish a pilot program that recognizes California businesses for taking measures to create safe and welcoming environments free from discrimination and harassment of customers. Under the program, CRD is to provide a certificate to businesses that meet specified criteria. These businesses may then prominently display this certificate. The bill also directs CRD to maintain a database of businesses receiving the certificate and to publish the database on its website. Under the terms of the bill, CRD is to evaluate the effectiveness of the program by January 1, 2028. Unless the Legislature elects to renew it, the program will sunset as of that date. CRD’s request seeks the necessary staffing and resources, including IT services, to implement the pilot program and conduct the evaluation.

**Comparison to Senate Appropriations Estimate:** The requested amount is somewhat higher than what was anticipated by the Senate Appropriations Committee. That Committee estimated that the cost to CRD of implementing the pilot would be “in the high tens of thousands through 2027-2028.”

**Staff Comments:** AB 2448 underwent significant revisions late in the legislative process. CRD reasonably explains that while it made good faith estimate of costs at the time, subsequent implementation planning has made it clear that somewhat greater costs will be involved.

**Staff Recommendation.** Approve as budgeted.

---

**Issue 4: Enforcement of Employment Discrimination Law Related to Cannabis Use**

---

**Governor’s Budget Proposal.** CRD requests \$1.7 million General Fund in 2023-24, 2024-25, and 2025-26 to implement the provisions of AB 2188 (Quirk), Chapter 392, Statutes 2022.

**Background.** CRD enforces the state’s primary anti-discrimination laws including, of particular relevance to this request, the Fair Employment and Housing Act (FEHA). As its name suggests, the FEHA prohibits employment discrimination on the basis of disability, race, ethnicity, religion, gender, and sexual orientation, among other enumerated characteristics. CRD is statutorily mandated to receive complaints of employment discrimination. CRD proceeds to investigate those complaints unless the complainant elects to bypass administrative enforcement and proceed directly to court by requesting a right-to-sue letter from CRD. Where CRD investigates and determines that discrimination has taken place, it has the authority to seek redress in court on behalf of the complainant and the public interest. CRD can also bring employment discrimination cases on its own initiative.

AB 2188 made it unlawful for an employer to discriminate against a person in hiring or any term or condition of employment based upon: the person’s use of cannabis off the job and away from the workplace or the result of a drug screening test required by the employer that finds the person to have non-psychoactive cannabis metabolites in their hair, blood, urine, or other bodily fluids. Because AB 2188’s provisions are nested within the FEHA, CRD has responsibility for enforcing them.

Based on its experience enforcing the FEHA, CRD estimates that AB 2188 will result in 200 to 300 additional intakes needing investigation each year. This budget request reflects the additional resources CRD believes it will need to handle this anticipated increase in caseload.

**Comparison to Senate Appropriations Estimate:** The requested amount is considerably less than what was anticipated by the Senate Appropriations Committee, which was “ongoing costs of \$3.1 million in Fiscal Year (FY) 2023-24 and annually thereafter.”

**Staff Comment:** CRD reasonably explains that it is difficult to predict how many complaints it will receive under this new statute. The amount requested reflects a good faith estimate, but revision may be appropriate in out years if that estimate turns out to have been either too high or too low.

**Staff Recommendation.** Approve as budgeted.

---

**Issue 5: Housing Voucher Discrimination Prevention Caseload Increase**

---

**Governor’s Budget Proposal.** CRD requests \$602,000 General Fund and four permanent positions in 2023-2024, as well as \$595,000 General Fund in 2024-25 and ongoing for the purpose of processing additional housing source of income discrimination complaints associated with SB 329, (Mitchell), Chapter 600, Statutes of 2019.

**Background.** CRD enforces the state’s primary anti-discrimination laws including, of particular relevance to this request, the Fair Employment and Housing Act (FEHA.) As its name suggest, the FEHA prohibits housing discrimination on the basis of disability, race, ethnicity, religion, gender, sexual orientation, among other enumerated characteristics. CRD is statutorily mandated to receive and investigate complaints of housing discrimination. Where CRD determines that discrimination has taken place, it has the authority to seek redress in court on behalf of the complainant and the public interest. CRD can also bring housing discrimination cases on its own initiative.

The FEHA also prohibits rental housing discrimination on the basis of source of income, as defined in the statute. SB 329 changed the definition of source-of-income. As explained by CRD: “[t]he previous definition of “source of income” (SOI) did not include government housing subsidies paid to a housing owner or landlord on behalf of a tenant. [SB 329] removed the exception that allowed landlords to turn away tenants who hold government housing assistance vouchers. In practice, SB 329 requires landlords to accept otherwise-qualified applicants who use such vouchers to pay rent and participate in housing voucher programs.” SB 329 is intended to reduce instances in which low-income households obtain a housing subsidy voucher, but are unable to use it to secure housing because of landlords who categorically refuse to consider voucher-holders as tenants.

Because CRD is charged with enforcing the FEHA, SB 329 created a new class of housing discrimination complaints that CRD must investigate. When it determines that discrimination has taken place, CRD must also mediate or litigate the matter. According to CRD, the resulting caseload has been higher than it initially expected:

CRD originally estimated that SB 329 would yield approximately 163 additional annual complaints. The estimated increase in complaints only focused on Section 8; SB 329 also covers other public assistance programs such as the Housing Opportunity for People with AIDS and Veterans Affairs Supportive Housing Program vouchers. Between 2020 and 2021, CRD actually saw an increase of 309 complaints that alleged SOI as a basis for discrimination and/or harassment. So far in 2022, CRD is on track to receive approximately 188 additional SOI-related complaints. SOI-related complaints have more than doubled in the past two years, from 484 in 2020 to 981 in 2022.

This request is intended to enable CRD to handle the increased caseload.

**Staff Recommendation.** Approve as budgeted.

---

**Issue 6: Enforcement of Recently Enacted Leave from Work Laws**

---

**Governor’s Budget Proposal.** The Civil Rights Department (CRD) requests \$1.2 million General Fund in 2023-24, 2024-25, 2025-26 to implement the provisions of AB 1041 (Wicks), Chapter 748, Statutes of 2022, and AB 1949 (Lowe), Chapter 767, Statutes of 2022.

**Background.** CRD enforces the state’s primary civil rights laws including, of particular relevance to this request, the Fair Employment and Housing Act (FEHA). The FEHA includes some of California’s workplace leave laws. Two pieces of 2022 legislation – AB 1041 (Wicks), Chapter 748, Statutes of 2022, and AB 1949 (Lowe), Chapter 767, Statutes of 2022 – added to those workplace leave laws. CRD is requesting resources to be able to respond to complaints alleging violations of these new workplace leave provisions.

AB 1041 expanded the California Family Rights Act (CFRA) which, as explained by CRD, provides eligible employees with up to 12 weeks of job protected leave to care for their own serious health condition or that of a family member or to bond with a new child. Prior to AB 1041, an eligible employee could take CFRA leave to care for a child, spouse, domestic partner, parent (including a parent-in-law), sibling, grandparent, or grandchild. AB 1041 expanded the people for whom an employee can take CFRA leave to include at least one “designated person” who is related to the employee by blood or whose association with the employee is the equivalent of a family relationship. Based on its experience with existing CFRA provisions and on extrapolations from New Jersey data, where a similar was recently enacted, CRD estimates that it will receive 150 additional intakes related to AB 1041.

AB 1949 adds a new section to the FEHA which provides eligible employees with up to five days of job-protected leave when a family member dies. Based on its experience with CFRA and taking into account that a majority of employers already provide some form of bereavement leave, CRD estimates that it will receive 100 additional intakes in relation to AB 1949.

The leave expansions under AB 1041 and AB 1949 are both subject to CRD’s mandatory mediation program for small employers (those with 5 to 19 employees), if the small employer requests it.

**Comparison to Senate Appropriations Estimate:** The requested amount is roughly consistent with cost estimates considered by the Senate Appropriations Committee, which were “likely [...] in the hundreds of thousands of dollars annually” for AB 1041 and “first-year General Fund costs of \$470,000, and \$464,000 annually thereafter” in the case of AB 1949.

**Staff Recommendation.** Approve as budgeted.



---

**Issue 7: Staff Increase to Implement Pay Data Reporting Expansion**

---

**Governor’s Budget Proposal.** CRD requests two positions, \$494,000 General Fund in 2023-24, and \$492,000 General Fund in 2024-25 and ongoing to implement the provisions of SB 1162 (Limón), Chapter 559, Statutes of 2022.

**Background.** CRD enforces the state’s primary anti-discrimination laws including, of particular relevance to this request, the Fair Employment and Housing Act (FEHA). As its name suggests, the FEHA prohibits employment discrimination on the basis of disability, race, ethnicity, religion, gender, and sexual orientation, among other enumerated characteristics.

SB 973 (Jackson), Chapter 363, Statutes of 2020, established a pay data reporting program in California within the FEHA. Under the program, private employers with 100 or more employees must submit annual reports to CRD on the pay, hours worked, job category, race/ethnicity, and sex of their employees. CRD reports that it has successfully run this data collection since 2021 and is already preparing for the third cycle in 2023. As explained by CRD: “California created this system to encourage employers to self-assess pay disparities along gendered, racial, and ethnic lines in their workforce, as well as to promote voluntary compliance with equal pay and anti-discrimination laws. Employers’ pay data reports also allow CRD to more efficiently identify wage patterns and allow for effective enforcement of equal pay and antidiscrimination laws when appropriate.”

SB 1162 (Limón), Chapter 559, Statutes of 2022, modified the pay data reporting program in two ways that impact CRD’s costs for running it. First, SB 1162 increased the number of reports that CRD receives because SB 1162 now requires employers to file a report regardless of whether the employer files a related federal report (the EEOC-1) and because SB 1162 now requires employers to report pay data on employees hired through contract labor if they hired 100 or more employees this way within the prior calendar year. Second, SB 1162 expands the kind of data CRD will receive in each report because SB 1162 requires all employers submitting pay data reports to include median and mean hourly rates of employee groupings by job category, race/ethnicity, and sex.

This budget request responds to CRD’s corresponding increase in workload.

**Comparison to Senate Appropriations Estimate:** The requested amount is roughly consistent with the estimate considered by the Senate Appropriations Committee, which was “costs of approximately \$477,000 in fiscal year (FY) 2023-24, \$548,000 in FY 2024-25 and \$473,000 in FY 2025-26 and ongoing.”

**Staff Recommendation.** Approve as budgeted.

---

**Issue 8: Workload and Administrative Resources**

---

**Governor’s Budget Proposal.** CRD requests two positions and \$441,000 General Fund ongoing to assist with the department’s administrative workload, including internal audits, and diversity and equity efforts.

**Background.** According to CRD, in recent years, it has grown in budget, staff, and responsibilities. As a result of this growth, CRD has identified two issues that this request is intended to address.

First, CRD points out that California law recommends an independent an internal auditor position to conduct objective, impartial assessments when aggregate spending exceeds \$50 million annually and that CRD’s budget surpassed this threshold in 2022-23. More generally, CRD states that “as CRD and its responsibilities have steadily grown in recent years, and attendant systems, programs, and activities have been built, CRD believes it would benefit from a dedicated staff member to evaluate and provide recommendations to improve CRD’s operations.”

Second, “CRD experienced a higher than average vacancy rate in 2021-22, reaching a high of 28 percent. In response, the department has implemented and increased efforts to fill vacancies, such as continuous filings. Still, the need remains to establish a proactive recruitment position that can identify, solicit, and build relationships with viable candidates in order to recruit highly talented team members across multiple platforms, and to address aspects of hiring which CRD has not previously been able to address - diversity and equity, employee recognition and retention, upward mobility and succession and workforce planning.”

With approval of this request, CRD expects to

- appoint an internal auditor to independently analyze CRD’s programs to ensure integrity and adequate internal control, assess and manage risk, and reduce opportunities for fraud and abuse; and
- appoint a dedicated HR Recruiter and Diversity and Equity Officer who will enable CRD to reduce its vacancy rate with high-quality and diverse talent.

**Staff Recommendation.** Hold open.

**2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT****Issue 9: Workload Resources for Implementation of Various Legislation**

**Governor’s Budget Proposal.** The Governor’s budget requests allocations and hiring authority for the purpose of HCD’s implementation of recently enacted legislation as follows:

**A) A General Fund augmentation of \$612,000 in 2023-24 and \$462,000 annually starting in 2024-25 through 2026-27 for a consulting contract to implement AB 1654, R. Rivas, Ch. 638, Stats. 2022.** AB 1654 requires HCD to commission a statewide study of farmworker housing conditions, needs, and solutions. The study must include a demographic survey and analysis of farmworker households, analysis of housing conditions and unmet housing needs, and the identification of governmental and nongovernmental barriers to the production of farmworker housing. AB 1654 also requires HCD to use the findings and recommendations from the study to develop a comprehensive strategy for meeting the housing needs of the state’s farmworker households. HCD states that it currently “has no positions to carry out the requirements of AB 1654. To efficiently implement AB 1654, HCD will enter a consulting contract to complete the statewide study of farmworker housing conditions, needs, and solutions (including necessary translation services).”

The request is roughly consistent with General Fund costs projected during consideration of AB 1654 by the Senate Appropriations Committee, which were “one-time contract costs of approximately \$400,000 to conduct a specified statewide study of farmworker conditions, needs, and solutions, and assist in the development of a comprehensive strategy, [...] an additional \$250,000 in contract every five years thereafter to update the study and strategy, [...] ongoing costs of approximately \$194,000 annually for 1.0 PY of staff to hire and oversee the consultant contract, develop the report, incorporate strategies into the Statewide Housing Plan, ensure recommendations are implemented across various programs, and update the study, strategy, and report every five years.”

**B) A General Fund augmentation of \$405,000 annually in 2023-24 and 2024-25 for a consulting contract to implement AB 1738, Boerner-Horvath, Ch. 687, Stats. 2022.** AB 1738 required HCD and the California Building Standards Commission (CBSC) to research and develop building standards for the installation of electric vehicle (EV) charging stations in existing structures during certain retrofits and authorizes them to propose the standards for adoption. The Governor’s January Budget originally proposed to allocate \$405,000 General Fund in 2023-24 and \$205,000 General Fund in 2024-25 for AB 1738 implementation. The Governor’s April 1 Finance Letter for the Housing and Community Development Department (HCD) requests a \$200,000 increase in one-time funding for this purpose in fiscal year 2024-25 for a consulting contract. Thus, Governor’s revised budget request for implementation of AB 1738 is \$405,000 General Fund in 2023-24 and \$405,000 General Fund in 2024-25.

The amount requested is roughly consistent with projections during consideration of AB 1654 by the Senate Appropriations Committee, which were: (1) annual costs of approximately \$198,000 and 1.0 PY of staff for fiscal years 2023-24 and 2024-25 to research, develop, and propose for adoption building standards and associated regulatory documents for EV charging in existing

multifamily dwellings, hotels, and motels, including engagement with stakeholders and coordination with other state agencies; and (2) one-time contracting costs of approximately \$200,000 to conduct a study of the existing conditions related to EV charging and determine whether existing infrastructure can support the increased demand.”

**C) Hiring authority for two positions in 2023-24 and ongoing to implement and support AB 1978, Ward, Ch. 644, Stats. 2022.** AB 1978 directed HCD to establish a tracking system for all funding programs that, at a minimum, includes the deadlines for each step of a program application and required the tracking system to be on the HCD’s internet website.

The amount requested is consistent with roughly consistent with projections during consideration of AB 1654 by the Senate Appropriations Committee, which were: “ongoing costs of approximately \$371,000 annually for 2.0 PY of staff to regularly update guidelines for specified federal programs, provide additional technical assistance to funding applicants, update databases, and make tracking systems publicly accessible.”

**D) A General Fund augmentation of \$422,000 annually starting in 2023-24 through 2026-27 for a consulting contract to implement AB 2011, Wicks, Ch. 647, Stats. 2022.** AB 2011 authorized specified housing development projects to be a use by right on specified sites zoned for retail, office, or parking, as specified.

The Governor’s January budget proposed to allocate \$1.1 million in 2024-25 and \$422,000 in 2025-26 and 2026-27 for HCD’s implementation of AB 2011, Wicks, Ch. 647, Stats. 2022, also known as the Affordable Housing and High Road Jobs Act. Through an April 1 Letter, the Governor now requests to revise those allocations with a \$648,000 decrease in 2024-25 and a \$2,000 increase in 2025-26 and 2026-27. Thus, the Governor’s revised budget proposal for HCD’s implementation of AB 2011 is \$452,000 in 2024-25 and \$424,000 in 2025-26 and 2026-27.

After the proposed revisions, the amount requested is slightly, but not significantly, higher than projections during consideration of AB 2011 by the Senate Appropriations Committee, which were: (1) ongoing costs of \$204,000 annually for 1.0 PY of staff to coordinate with local governments, provide guidance and technical assistance, and manage enforcement activities associated with AB 2011; and (2) additional costs of \$102,000 in contract costs each year in 2023-24 and 2025-25 to develop and revise guidelines for developers and local jurisdictions related to the new streamlining and ministerial approval provisions.

**E) A General Fund augmentation of \$187,000 for one position in 2023-24 and ongoing to implement AB 2234, R. Rivas, Ch. 651, Stats. 2022.** AB 2234 established time limits for approval of post-entitlement permits, as defined, and required post-entitlement permitting procedures to be available online.

The amount requested is roughly consistent with projections during consideration of AB 2234 by the Senate Appropriations Committee, which were: General Fund costs of \$179,000 annually for 1.0 PY of staff to provide technical assistance to local governments, respond to inquiries from local agencies and developers, and investigation and enforcement activities.

**F) Hiring authority for three positions in 2023-24 and ongoing to implement AB 2483, Maienschein, Ch. 655, Stats. 2022.** HCD currently fund six multi-family housing programs – Multifamily Housing Program (MHP); Housing for a Healthy California (HHC); Infill Incentive Grant Program of 2007; Joe Serna, Jr. Farmworker Grant Program (Serna or FWHG); Transit Oriented Development (TOD) Implementation Program; and the Veterans Housing and Homelessness Prevention Program (VHHP) – through a single, streamlined Notice of Funds Availability known as the Multi-Family Finance SuperNOFA or MFSN. AB 2483 requires HCD to provide incentives in the MFSN to applicants that agree to set aside at least 20 percent of a project’s units for individuals that are experiencing homelessness, as defined, who are also eligible to receive qualifying services under specified MediCal Waiver programs.

The authority requested is somewhat lower than projections during consideration of AB 2483 by the Senate Appropriations Committee, which were: (1) costs of \$727,000 and 4.0 PY of staff in the first two years and \$534,000 annually ongoing to plan coordination with DHCS, assist with data collection and program evaluation review, and ongoing implementation activities; and (2) one-time consulting costs of approximately \$300,000 for an independent evaluator to collect and analyze data that HCD can use to assess tenant outcomes.

**G) A General Fund augmentation of \$382,000 for two positions in 2023-24 and ongoing, and a one-time \$367,000 consulting contract in 2023-2024 to implement AB 2563, Santiago, Ch. 657, Stats. 2022.** AB 2653 authorized HCD to reject the housing element portion of a planning agency’s annual progress report (APR), as specified, and to report specified housing element reporting violations to the Attorney General.

The amount requested is higher than projections during consideration of AB 2483 by the Senate Appropriations Committee, which were: costs of approximately \$367,000 annually for 2.0 PY of staff to perform a quantitative audit evaluating APRs, identify those with errors, note corrective actions, provide written findings, and provide technical assistance to cities and counties. The differential appears to come mostly from the proposed consulting contract, which HCD describes as being for “proactive outreach to jurisdictions to communicate APR reporting requirements, review APR criteria, and assist in completion of APR forms.”

**H) A General Fund augmentation of \$212,000 for 2 positions, annually starting in 2023-24 and ongoing to implement SB 6, Caballero, Ch. 659, Stats. 2022.** SB 6, the Middle Class Housing Act, established housing as an allowable use on any parcel zoned for office or retail uses. The Act sunsets in 2033. Through an April 1 Letter, the Governor requests to decrease this authorization by one position. Thus, the Governor’s Budget Proposal for is now for one position at HCD for implementation of SB 6.

The revised proposal is roughly consistent with the staffing requirements for SB 6 that HCD projected during consideration of the bill before the Senate Appropriations Committee. That projection was: one staff position to provide ongoing technical assistance to local jurisdictions for rezoning required by the bill, and to undertake necessary enforcement activities.”

**I) A General Fund augmentation of \$1,190,000 for seven positions in 2023-24 and 2024-25, and \$881,000 in 2023-24 and \$131,000 in 2024-25 for consulting contracts. Additionally, HCD**

**requests a Mobilehome and Recreational Vehicle Park Training Fund (Fund 3419) augmentation of \$1,190,000 for seven positions annually in 2025-26 and ongoing, and \$131,000 annually in 2025-26 and ongoing to establish and operate new systems and to administer a new program established by SB 869, Leyva, Ch. 662, Stats. 2022.** SB 869 requires managers and assistant managers of mobilehome and recreational vehicle (RV) parks to complete an online training and renew the training every year. To implement this requirement, HCD must adopt regulations and create the training program. SB 869 authorizes HCD to establish fees for the application, training, and certification process, based on staffing, enforcement, and program needs, to cover costs of administering the training program and to permit qualifying third parties to provide training.

The requested amounts are roughly consistent with projections during consideration of SB 869 by the Senate Appropriations Committee, which were: (1) ongoing administrative costs of approximately \$1.16 million annually for seven additional staff to carry out duties including development and adoption of program regulations, including a fee schedule, managing certifications and renewals, tracking permits to operate invoicing functions, conducting complaint inspections and onsite enforcement, and managing and supervising program staff; (2) one-time automation costs of \$650,000 to make necessary changes to the Codes and Standards Automated Systems (CASAS) to aid in the planning and implementation of the management training program, as well as ongoing CASAS operation and maintenance costs of approximately \$80,000 annually; and (3) one-time automation costs of approximately \$100,000 to make necessary changes to the Learning Management System for training course and examination development, as well as ongoing maintenance costs of approximately \$50,000 annually.

**J) Hiring authority for one position and \$611,000 annually ongoing from the Pooled Transition Reserve Fund starting in 2023-24 to implement SB 948, Becker, Ch. 667, Stats. 2022.** SB 948 replaced individual project transition reserves for the development of affordable housing to a pooled reserve model, as specified.

The requested amounts are roughly consistent with projections during consideration of SB 948 by the Senate Appropriations Committee, which were: General Fund costs of \$587,000 in the first two years, and \$179,000 in subsequent years.

**K) A one-time Mobilehome-Manufactured Home Revolving Fund (Fund 0648) augmentation of \$50,000 in 2023-24 for a consulting contract with a translation service to implement SB 1307, Rubio, Ch. 669, Stats. 2022.** SB 1307 required HCD to post on its website and send an annual notice to local jurisdictions on how a local jurisdiction can assume responsibility for enforcement of health and safety standards at mobilehome parks and RV parks (also known as special occupancy parks).

The Governor's January Budget Proposal inadvertently proposed to pay for this \$50,000 in 2023-24 from an erroneous fund source. Through an April 1 Letter, the Governor has now requested to pay for that \$50,000 allocation out of the Mobilehome Parks and Special Occupancy Parks Revolving Fund.

The requested amounts are roughly consistent with projections during consideration of SB 1307 by the Senate Appropriations Committee, which were: administrative and contract costs in the range of \$25,000 to \$50,000 from the Mobilehome Parks and Special Occupancy Parks Revolving Fund to develop and translate into Spanish a fact sheet, web posting, information bulletin, and electronic mail notice.”

**L) A General Fund augmentation of \$812,000 for 6 positions in 2023-24 and ongoing to support ongoing business needs due to the passage of various bills.** The acceptance of the requests for resources for the various enacted legislation presented in (A) through (L), above, will result in an additional 25 positions for the program areas of HCD in 2023-24 and 2024-25, and 23 positions in 2025-26 and ongoing. In order for HCD to maintain adequate administrative support of the additional positions, HCD’s administration and management division is requesting 6 positions. This administrative support ratio of 6:1 for 2023-24 and 2024-25, and 5:1 for 2025-26 and ongoing ensures adequate administrative resources are available to administer HCD’s various housing initiatives and programs.

**Staff Recommendation.** Approve the Governor’s January Budget Proposals for all items (A) through (L), above, as modified by the spring Finance Letter. Staff recommends holding open the item in HCD’s BCP related to implementation of SB 649 (Cortese, 2022), as discussed in Issue 20 of this agenda.

---

**Issue 10: Monitoring of Factory-Built Housing**

---

**Governor’s Budget Proposal.** The Department of Housing and Community Development (HCD) requests authorization to hire one District Representative I in 2023-24 and ongoing to complete statutorily required in-plant inspections of Factory-Built Housing (FBH) manufacturers.

**Background.** As explained by HCD, “FBH is a factory constructed version of site-built resident structure. FBH are buildings, dwelling units, or building components or systems manufactured in which all concealed parts or processes of the manufacture cannot be inspected before installation at the building site without disassembly. FBH is installed on-site, much like a standard site-built home with on-site inspections by local building departments and are designed and constructed in accordance with the California Building Standards Code.” Under the right conditions, FBH holds the potential to reduce the cost and environmental impact of housing production, while increasing its speed.

HCD’s FBH Program is charged with inspecting the manufacture of FBH units and components designed for use in California to ensure they meet California building standards. FBH is also responsible for certifying third-party agencies who perform as a Design Approval Agency (DAA) and/or a Quality Assurance Agency (QAA). These third party agencies distribute the HCD insignias which denote that the FBH components and buildings in question meet California’s requirements.

HCD reports that there are approximately 215 FBH manufacturers that design and produce FBH for use in the state of California today. As justification for the additional hire requested by this BCP, HCD asserts that “[t]he current level of program staffing is inadequate to provide FBH inspections as mandated by [statute], which requires HCD to perform in-plant inspections of FBH manufacturing plants.”

Accordingly, this budget change proposal seeks authorization for HCD to hire one additional inspector for the program.

**Staff Recommendation.** Approve as budgeted.



---

**Issue 11: Registration and Titling Program Staff Increase**

---

**Governor’s Budget Proposal.** HCD requests authority to hire 4 new staff in 2023-24 and ongoing for its Registration and Titling Program.

**Background.** HCD is mandated by statute to provide an orderly and economical transfer of registrations and titles for manufactured homes, mobilehomes, and commercial modulars. HCD’s Registration and Titling Program performs this function.

According to HCD, lack of proper registration and titling of a mobilehome can cause a variety of problems. Improper title places the ownership interest in doubt, potentially leading to issues of fraud, financial hardship, or, in extreme cases, homelessness.

Over the years, HCD’s Registration and Titling Program has come under criticism for slow processing times and lengthy backlogs. Partially in response to legislative oversight, the Program has come to think of a 30-60 day turnaround as its goal. HCD reports that the actual turnaround time was as high as four to five months as recently as 2018, though the current average time is just 90 days.

HCD seeks the additional staffing in this budget change proposal in order to bring its registration and titling turnaround time down to into the 30-60 day range as well as to conduct additional registration and titling outreach to “those in need, such as low-income manufactured home and mobilehome homeowners, who have little to no resources available to assist them with the titling process.”

**Staff Recommendation.** Approve as budgeted.

---

**Issue 12: Housing Program Reporting Requirement Shift**

---

**Governor’s Budget Proposal.** The Governor proposes to change who has the duty to post online which competitive funding programs provide favorable treatment to jurisdictions that have achieved a “pro-housing” designation and which grant programs require the applicant to have a legally compliant housing element in order to be eligible. That duty currently rests with the Department of Finance (DOF). The proposed trailer bill language would transfer it to HCD.

**Background.** California law establishes the Regional Housing Needs Assessment (RHNA) process which requires local jurisdictions to plan for the location of sufficient housing for people of all income levels and to update this plan at regular intervals. HCD certifies whether these housing elements, as they are known, comply with the legal requirement. Eligibility for funding from state programs can be made contingent on having a legally compliant housing element.

Separately, HCD recently established a program through which HCD will designate local jurisdictions as officially “pro-housing” if the local jurisdiction meets specified criteria. Then, when these pro-housing jurisdictions proceed to apply for certain competitive funding programs, they receive extra points.

Existing law requires DoF to maintain and post on its website a list of which funding programs require a legally compliant housing element for eligibility, as well as a list of those competitive funding programs that award extra points to designated pro-housing jurisdictions. Posting this information on DoF’s website is not ideal, however, since many of the relevant funding programs are administered by HCD. Accordingly, applicants looking over the program rules are more likely to seek them out on HCD’s website, not DoF’s.

The proposed trailer bill language addresses this issue by shifting the responsibility for posting these lists from DoF to HCD.

**Staff Recommendation.** Approve as proposed.

---

**Issue 13: Affordable Housing and High Roads Job Act Technical Cleanup**

---

**Governor’s Budget Request.** The Governor’s January budget proposes to allocate \$1.1 million in 2024-25 and \$422,000 in 2025-26 and 2026-27 for HCD’s implementation of AB 2011, Wicks, Ch. 647, Stats. 2022, also known as the Affordable Housing and High Road Jobs Act. Through an April 1 Letter, the Governor now requests to revise those allocations with a \$648,000 decrease in 2024-25 and a \$2,000 increase in 2025-26 and 2026-27. Thus, the Governor’s revised budget proposal for HCD’s implementation of AB 2011 is \$452,000 in 2024-25 and \$424,000 in 2025-26 and 2026-27.

**Background.** AB 2011, Wicks, Ch. 647, Stats. 2022, authorized specified housing development projects to be a use by-right on specified sites zoned for retail, office, or parking, as specified.

According to the Senate Appropriations Committee analysis of AB 2011, HCD estimated “ongoing costs of \$204,000 annually for 1.0 PY of staff to coordinate with local governments, provide guidance and technical assistance, and manage enforcement activities” associated with AB 2011. HCD also anticipated “additional costs of \$102,000 in contract costs each year in 2023-24 and 2025-25 to develop and revise guidelines for developers and local jurisdictions related to the new streamlining and ministerial approval provisions.”

**Comparison to Senate Appropriations Estimate:** After the proposed revisions in the Governor’s April 1 Letter, the proposed allocation for implementation of AB 2011 is slightly, but not significantly, higher than the costs anticipated during consideration of the bill in the Senate Appropriations Committee.

**Staff Recommendation.** Approve as proposed.

---

**Issue 14: Housing for Individuals Experiencing Homelessness**

---

**Governor’s Budget Proposal.** The Governor’s January Budget proposed to authorize the HCD to hire for four positions in 2023-24 and 2024-25, and three positions ongoing beginning in 2025-26 for the purpose of implementing AB 2483, Maienschein, Ch.655, Stats. 2022. Through an April 1 Letter, the Governor now requests to revise that proposal by decreasing the number of positions sought in 2023-24 and 2024-25 by one to address a technical error. Thus, the Governor’s revised budget proposal for implementation of AB 2483 is three positions in 2023-24 and ongoing.

**Background.** AB 2483 required HCD to provide incentives in the Multi-family Housing Program (MHP) for developments that set aside a percentage of units for people experiencing homelessness who are receiving specified Medi-Cal services.

**Comparison to Senate Appropriations Estimate:** After the revision made pursuant to the April 1 Letter, the hiring authority requested is roughly consistent with projected staffing needs considered by the Senate Appropriations Committee. There, HCD estimated “costs of \$727,000 and 4.0 PY of staff in the first two years and \$534,000 annually ongoing to plan coordination with DHCS, assist with data collection and program evaluation review, and ongoing implementation activities. Specific duties include research and outreach related to modifications of the Multifamily guidelines, forms, and notice of funding availability (NOFA), developer training, technical assistance, and monitoring and enforcement activities. There may be additional staffing needs in future years, depending on the number of projects that opt-into waiver program usage or qualify for Supportive Services reserve funds.”

**Staff Recommendation.** Approve as proposed.

---

**Issue 15: Technical Budget Bill Changes**

**Governor’s Budget Proposal.** Through an April 1 Letter, the Governor requests to make the following revisions to the Governor’s January Budget Proposal.

First, the Governor requests to correct an erroneous cross-reference so that HCD correctly allocates \$38.75 million to fund capital improvement projects for small jurisdictions as part of the Infill Infrastructure Grant Program of 2019.

Second, the Governor requests to extend the deadline for encumbrance of funding for the Veterans Housing and Homelessness Prevention Program from June 30, 2027 to June 30, 2028. This aligns the encumbrance availability with funding providing in the 2022 Budget Act.

Finally, the Governor requests to strike out budget bill language related to receipt of American Rescue Plan Act funding in 2021 that is no longer relevant.

**Staff Recommendation.** Approve as requested.

---

**Issue 16: Changes to the Excess Sites Local Government Matching Grants Program**

**Governor’s Budget Proposal.** Through proposed trailer bill language, the Governor requests to make the following changes to the Excess Sites Local Government Matching Grants Program:

- Change the date that the Department of General Services (DGS) must update the online excess state sites inventory. Currently, the statute requires DGS to update the inventory at the same time that it is surveying sites. The proposed change reflects a more logical chronology: survey sites, then compile inventory, and then publish online.
- Require annual updates of the online inventory starting in January of 2025. Current law only requires an update every four years.
- Extend the requirement that grantees submit annual reports on their use of the money they received and the resulting impact.
- Remove the June 2024 expenditure deadline.

**Background.**

In 2019, as part of the broader effort to address the state’s housing shortage, Governor Newsom ordered HCD and DGS to identify excess, state-owned properties that are suitable for development as affordable housing. (Executive Order No. N-06-19.) The resulting inventory can be found here:

<https://www.dgs.ca.gov/RES/Projects/Page-Content/Projects-List-Folder/Executive-Order-N-06-19-Affordable-Housing-Development>

The proposed trailer bill language clarifies that updates to the inventory should be made after the survey is conducted and increases how often the digitized inventory must be updated from every four years to annually.

The Excess Sites Local Government Matching Grants Program provides grant funding for predevelopment and development of affordable housing on sites identified in the inventory. HCD explains that: [d]uring the development of the Excess Sites Local Government Matching Grants (LGMG) program, the funding source was changed from Federal ARPA funds to General Fund. Despite this change, the expenditure date required by the ARPA funds (June 30, 2024) was codified in statute. This proposal would allow the program to be continuously appropriating, subject to allocation of funds by the legislature as opposed to remaining bound by the ARPA expenditure deadline that no longer applies.” In light of the fact that program activities will extend beyond the dates originally listed in the statute, the proposed trailer bill extends both the expenditure and reporting deadlines to match.”

**Staff Recommendation.** Approve as amended.

---

**Issue 17: Technical Changes to the Infill Infrastructure Grant Program of 2019**

---

**Governor’s Budget Proposal.** Through proposed trailer bill language, the Governor seeks to clarify that the Infill Infrastructure Grant Program of 2019 does not fund qualifying infill projects through the part of the program targeted to large jurisdictions.

**Background.** As explained by the Department of Housing and Community Development (HCD), the Infill Infrastructure Grant Program is intended to promote infill housing development by providing financial assistance for Capital Improvement Projects that are an integral part of, or necessary to facilitate the development of affordable and mixed income housing. Among other things, the grants can be used for the creation, development, or rehabilitation of Parks or Open Space, water, sewer or other utility service improvements, streets, roads, or transit linkages or facilities, facilities that support pedestrian or bicycle transit, traffic mitigation, sidewalk or streetscape improvements, Factory-Built Housing components, Adaptive Reuse, or site preparation or demolition.

There are set-asides and subcategories within the Infill Infrastructure Grant Program based upon jurisdiction size (large or small), location (urban or rural), and whether the funding is sought for a specific infill housing project (QIP) or preparation of the broader infill area within which affordable housing will be constructed (QIA). The existing statute sometimes refers to these set-asides and sub-categories in ways that complicate HCD’s administration of the grants. HCD explains that the proposed trailer bill corrects two errors left over from modifications made to the Infill Infrastructure Grant Program in 2019. The first correction removes references to QIPs in a subdivision that is meant to relate only to QIAs, thus addressing a conflict in scoring criteria. The second correction removes references to QIP in a part of the statute that does not apply to QIPs.

**Staff Recommendation.** Approve as proposed.

## ITEMS FOR DISCUSSION

### 0515 BUSINESS, CONSUMER SERVICES, AND HOUSING SECRETARY

#### Issue 18: Homeless Housing, Assistance, and Prevention (HHAP) Grants & Accountability for State Homelessness Spending Generally

**Governor’s Budget Proposal.** The Business, Consumer Services, and Housing Agency proposes budget trailer bill language that:

- (1) Authorizes the Inter-Agency Council on Homelessness (Cal-ICH) to administer a fifth round of Homeless Housing, Assistance, and Prevention (HHAP) grants in the amount of \$1 billion.
- (2) Specifies details of the program including, among others:
  - a) the grant allocation ratio between big cities, counties, continuums of care, and tribal entities;
  - b) mechanisms for setting outcome goals, rewarding the achievement of those goals with bonus funding, and discouraging failure to meet those goals with, as a last resort, transfer of HHAP resources to an alternative entity.
- (3) Expresses an intention to incorporate further accountability measures meant to ensure that HHAP and other state homelessness reduction and prevention resources are being used effectively.
- (4) Expresses an intention to incorporate language making the submission of a legally compliant housing element a prerequisite for eligibility to receive state homelessness reduction and prevention resources.
- (5) Narrows the type of projects and activities that recipients can use HHAP funds for, to focus more on sustaining and supporting prior investments, such as maintenance and services at Project Homekey sites, support for Care Court participants, and assistance for transition out of encampments.

#### Background

##### *Origins of the Call for Accountability*

Historically, California largely treated homelessness as a local matter. That changed in 2018, when state government began to invest significant resources into combatting the problem. According to Cal-ICH’s February 2023 Statewide Homelessness Assessment, between Fiscal Years 2018–19 and 2020–21, California increased its state investment in homelessness-focused programs by more than \$1.5 billion; between Fiscal Years 2018–19 and 2020–21, the state directed \$9.6 billion to homelessness-focused programs. Spending on homelessness reduction and prevention has only increased in the last two state budgets.



There are some indications that these investments have had some success. Youth homelessness, for example, has fallen by 21 percent in this period. There is also evidence that the rate at which homeless is increasing has fallen. Yet, the bottom line remains that the additional resources have not achieved a reduction in homelessness overall. According to data from Point in Time (PIT) counts, California's overall homeless population has risen 6.2 percent since 2020.

Given this dynamic, there are increasing demands from the public, the Governor, and the Legislature for greater transparency about how state homelessness reduction and prevention dollars get spent, better information about what the resulting outcomes are, and the establishment of a system of rewards and/or consequences tied to those results.

In short, everyone wants more accountability.

#### *Timing considerations and data collection challenges*

Since widespread homelessness is a humanitarian crisis, the need for an effective response is pressing. Given that, calls for accountability have an urgency as well. Still, accountability measures need to factor in timing and data collection challenges.

The timing challenges stem from the fact that many of the state's most major investments have really only just been made. Long term solutions to homelessness – as opposed to crowding people into temporary shelters or pushing encampments from one street corner to another – take time to yield results. The significant investments that California has made in longer term solutions in the past several years may ultimately work to bring down rates of homelessness. Or they may prove ineffective in the end. As much as we desire to know now, the reality is that it is probably still too early to tell.

Data collection challenges should also be kept in mind. Data about homelessness is notoriously difficult to come by, and not for lack of effort. Almost by definition, the homeless population is scattered and transient, making longitudinal studies close to impossible. At the same time, while there is strong evidence that the high cost of housing is the main reason that people become homeless to begin with, an enormous number of factors influence whether and how quickly they are able to obtain housing again, as well as how long they can keep that housing. In that context, isolating the efficacy of any one particular policy or intervention is genuinely fraught.

#### *A Brief History of HHAP and Its Accountability Evolution*

The intent language in the proposed trailer bill makes it clear that the Governor would like to see an accountability regime for homelessness reduction and prevention spending that goes beyond just the HHAP program. Nonetheless, because HHAP has been a key focus of recent discussions around accountability and because the proposed trailer bill language already includes some specific elements related to accountability in the fifth round of HHAP grants, it makes sense to begin with HHAP.

*HEAP*

HHAP has its origins in the Homeless Emergency Aid Program (HEAP). Established by SB 850, Committee on Budget and Fiscal Review, Ch. 48, Stats. 2018, HEAP provided a one-time \$500 million block grant funding to continuums of care and large cities with a shelter crisis declaration. Recipients were authorized to use HEAP money for emergency assistance in the form of homelessness prevention, criminal justice diversion, at-risk youth services, and aid to people experiencing or at risk of homelessness.

HEAP's enabling statute obligated recipients to submit to a final report about expenditures under the contract, the number of homeless individuals served by program funds, and progress toward state and local homelessness goals. It also gave the agency administering HEAP authority to "ensure compliance with program requirements," including the power to "request the repayment of funds from an administrative entity, or pursue any other remedies available to it by law for failure to comply with program requirements." (Health & Saf. Code § 50215.)

*HHAP Rounds 1 & 2*

HHAP replaced HEAP the following year, 2019, and four "rounds" of HHAP grant funding have followed, each providing an additional one-year, one-time allocation of grant-based funding. The Governor's proposed budget and the trailer bill underlying this agenda item provide for \$1 billion in one-time funding, included in the 2022-23 Budget agreement, to support Round 5 of HHAP.

HHAP Round 1 consisted of \$650 million in grants distributed to continuums of care, big cities, and counties by Cal-ICH. (AB 101, Committee on Budget, Ch. 159, Stats. 2019.) Recipients could use the funds "to support regional coordination and expand or develop local capacity to address their immediate homelessness challenges informed by a best-practices framework focused on moving homeless individuals and families into permanent housing and supporting the efforts of those individuals and families to maintain their permanent housing." (Health & Saf. Code § 50217.)

In terms of accountability, HHAP Round 1, like HEAP before it, required grant recipients to submit reports, but HHAP Round 1 demanded annual reports in addition to a final report, and HHAP Round 1 reports had to contain a bit more detail. Specifically, the HHAP Round 1 enabling statute required the reports to include:

- (1) An ongoing tracking of the specific uses and expenditures of any program funds broken out by eligible uses listed, including the current status of those funds.
- (2) The number of homeless individuals served by the program funds in that year, and a total number served in all years of the program, as well the homeless population served.
- (3) The types of housing assistance provided, broken out by the number of individuals.

- (4) Outcome data for an individual served through program funds, including the type of housing that an individual exited to, the percent of successful housing exits, and exit types for unsuccessful housing exits. (Health & Saf. Code § 50221.)

Unlike the HEAP, HHAP Round 1 also required the reports to be posted online.

As in the case of HEAP, the HHAP Round 1 enabling statute gave the agency granting the funds discretion to monitor the expenditures and activities to ensure compliance with program requirements. Also like HEAP, HHAP Round 1 empowered the granting agency “to request the repayment of funds from an applicant, or pursue any other remedies available to it by law for failure to comply with program requirements.” (Health & Saf. Code § 50220.)

HHAP Round 2 provided \$300 million in grant-based funding that provides support to local jurisdictions to continue to build on regional collaboration developed through previous rounds of Cal-ICH funding and to develop a unified regional response to homelessness. (AB 83 (Committee on Budget, Chapter 15, Statutes of 2020).)

HHAP Round 2 built upon the accountability mechanisms in HHAP Round 1 in two ways. First, recipients of Round 2 HHAP grants were mandated to provide data elements to what was then a new statewide data collection tool, the Homeless Management Information System (HMIS). Second, HHAP Round 2 further expanded the information that recipients had to include in their annual reports, including reporting on Round 1 expenditures. The enabling statute for Round 2 required Cal-ICH to establish the following “data collection, reporting, performance monitoring, and accountability framework”:

- (1) Data collection shall include, but not be limited to, information regarding individuals and families served, including demographic information, information regarding partnerships among entities or lack thereof, and participant and regional outcomes.
- (2) The performance monitoring and accountability framework shall include clear metrics, which may include, but are not limited to, the following:
  - (A) The number of individual exits to permanent housing, as defined by the United States Department of Housing and Urban Development, from unsheltered environments and interim housing resulting from this funding.
  - (B) Racial equity, as defined by the council in consultation with representatives of state and local agencies, service providers, the Legislature, and other stakeholders.
  - (C) Any other metrics deemed appropriate by the council and developed in coordination with representatives of state and local agencies, advocates, service providers, and the Legislature.
- (3) Data collection and reporting requirements shall support the efficient and effective administration of the program and enable the monitoring of jurisdiction performance and program outcomes. (Health & Saf. Code § 50222.)

---

*HHAP Rounds 3 & 4*

HHAP Rounds 3 and 4 were authorized simultaneously. (AB 140 (Committee on Budget, Chapter 111, Statutes of 2021.) Both rounds involved one-year, one-time allocations of \$1 billion in flexible funding to continue efforts to end and prevent homelessness. As in the previous rounds, big cities, continuums of care, and counties were eligible to apply, but Rounds 3 and 4 also opened up a small percentage of the grant funding to federally-recognized tribal governments.

HHAP Rounds 3 and 4 diverged most dramatically from the prior HHAP rounds with regard to accountability. The changes consist of three inter-related components. First, Rounds 3 and 4 once again expanded the information that HHAP recipients have to report. In addition to all the information required for Rounds 1 and 2, for Rounds 3 and 4 recipients are also expected to report accountability metrics based on the United States Department of Housing and Urban Development's system performance measures and local homelessness action plan. Specifically, these include:

- 1) the number of persons experiencing homelessness;
- 2) the number of persons who become homeless for the first time;
- 3) the number of people exiting homelessness into permanent housing;
- 4) the length of time people remain homeless;
- 5) the number of people who return to homelessness after exiting homelessness to permanent housing; and
- 6) the number of successful placements from street outreach.

Recipients must also report data on how underserved populations and overrepresented populations disproportionately impacted by homelessness fare in relation to the outcomes listed above. (Health & Saf. Code 50220.7.)

Second, Rounds 3 and 4 placed a greater emphasis on goal-setting. Applicants were expected to set specific targets in relation to the outcomes they will eventually have to report. Specifically, for Rounds 3 and 4, applicants had to submit a Local Action Plan that includes outcome goals that prevent and reduce homelessness over a three-year period, informed by the findings from the local landscape analysis and the jurisdiction's base system performance measure from 2020 calendar year data in the Homeless Data Integration System. The outcome goals included metrics, based on the United States Department of Housing and Urban Development's system performance measures integrated into the HHAP funding application process, as follows:

- Each applicant must determine its outcome goals in consultation with Cal-ICH, and shall not submit its final outcome goals before consulting with the Cal-ICH.

- Cal-ICH must to assess the outcome goals and decide whether the outcome goals adequately further the objectives of reducing and preventing homelessness.
- Initial outcome goals must be met by specified deadlines.
- Outcome goals must be updated regularly, as funding continues.

Finally, HHAP Rounds 3 and 4 added a reward tying the goal-setting to the outcomes: recipients whose outcomes meet or exceed their goals are eligible for bonus funding. The bonus money is not actually additional HHAP funding. Rather, the statute governing HHAP directs Cal-ICH to withhold up to 18 percent of the HHAP allocation from the initial grants and reserve this money to serve as the pool from which the bonuses will be rewarded later. (Health & Saf. Code §§ 50218.6(a)(2) and 50218.7(a)(2).)

Apart from not getting this bonus, there is no financial punishment in HHAP Rounds 3 and 4 for failure to meet the goals, but the enabling statute does provide that: “[a]pplicants that do not demonstrate significant progress towards meeting outcome goals shall accept technical assistance from the council and may also be required to limit the allowable uses of these program funds, as determined by the council.” (Health & Saf. Code § 50223.)

The Round 3 and 4 innovation of tying outcome goals to bonus funding has not been without complication. In particular, because the applicants themselves set the goals against which their performance will be measured (albeit in consultation with Cal-ICH), there is an incentive to set low goals that are relatively easy to meet, thus increasing the applicant’s chances of obtaining the bonus funding. This dynamic played out in the fall of 2022, when the Governor convened local leaders to reassess their HHAP local action plans because collectively the plans only resulted in a two percent reduction in street homelessness.

As this brief review of the evolution of the program illustrates, the search for the right accountability mechanisms for the HHAP program is not new. Provisions for collecting data and reporting on outcomes have been part of HHAP from the beginning and have evolved considerably over the years to become more detailed and complex. In particular, the law governing HHAP Rounds 3 and 4 took a major new step toward accountability by tying the achievement of outcome goals to obtaining additional funding. Because the homelessness crisis persists in the face of HHAP and other state investments, however, demands for even better and stronger accountability mechanisms persist as well.

#### *New HHAP Accountability Mechanisms Included in the Governor’s Proposed Trailer Bill*

The Governor’s 2022-23 Budget agreement included another one-time \$1 billion in General Fund for Round 5 of HHAP funding. The Governor’s Budget upholds the agreement from last year by including the funding, in addition proposes new trailer bill language to govern administration of the money. Among other things, that language includes proposals for enhanced accountability mechanisms. As previously indicated, the most prominent of those proposed measures are currently in the form of two pieces of intent language that would apply to HHAP, but also to other

sources of state homelessness reduction and prevention spending. Considerations associated with that broader accountability intent language are discussed in the “Beyond HHAP” section below.

As to HHAP accountability specifically, the proposed trailer bill language proposes to:

- Maintain the withholding of 18 percent of HHAP funds to serve as a bonus pool for recipients that are meeting their outcome goals. Also maintain the system in which recipients who are not meeting their goals are ineligible for the bonus funding pool, must accept technical assistance from Cal-ICH staff, and may have the eligible uses for their HHAP funding restricted.
- Require recipients to report data to the Homeless Data Integration System (HDIS), instead of just the Homeless Management Information System (HMIS). According to Cal-ICH, HDIS compiles and processes data from all 44 California Continuums of Care (CoC)—regional homelessness service coordination and planning bodies—into a statewide data warehouse. HMIS, by contrast, refers to local homeless data collection systems.
- Require applicants with overlapping geographic jurisdictions to apply for funding jointly or, if they do not, to submit an explanation for applying separately and plans for collaboration.
- Specify that applicants’ new Round 5 outcome goals for preventing and reducing homelessness over a three-year period must be “specific, ambitious, achievable, and quantifiable.”
- State that the intent of Round 5 HHAP funding is to “sustain existing federal, state, and local investments towards long term sustainability of housing and supportive services,” though other uses are possible upon approval from Cal-ICH.

#### *Other Proposals to Modify HHAP*

In addition to the Governor’s proposed trailer bill language, there are at least two other proposals related to HHAP making their way through the Legislature: AB 1413 by Assemblymember Ting, and AB 799 by Assemblymember Luz Rivas.

In its present form, AB 1413 (Ting) consists primarily of two components:

- Shifts responsibility for administering HHAP grants from Cal-ICH to HCD. As expressed in the bill’s findings and declarations section, the idea is that such a change would take advantage of HCD’s experience administering grants and enable Cal-ICH to focus more exclusively on its function of coordinating between homelessness reduction and prevention programs.
- Eliminates the component of HHAP Rounds 3, 4, and 5 that holds back part of the HHAP funding to be issued later as bonus funding to recipients who are meeting their outcome

goals. The bill's findings and declarations explain that HHAP resources are needed urgently in the field.

AB 799 (L. Rivas) offers a slightly different set of proposed changes to HHAP, though it should be noted that Assemblymember Luz Rivas is also a lead author on AB 1413. Key accountability-related elements of AB 799 can be summarized as follows:

- Makes an ongoing commitment to HHAP funding instead of the annual, one-time allocations that have characterized HEAP and the rounds of HHAP to date.
- Directs the state, through Cal-ICH, to set goals for homelessness reduction and prevention. To date, HHAP has largely consigned goal-setting to the recipients of the funding.
- Maintains the bonus funding concept, but splits off a portion of the bonus funding to reward regional collaboration.
- Adds a financial punishment for recipients who do not meet their outcome goals. Specifically, recipients who have not achieved their outcome goals after three years are put on a one year "corrective action plan" with improvement benchmarks. If these benchmarks are not met, then any remaining grant money for that recipient is reallocated to another recipient with overlapping geographic jurisdiction. The recipient that failed to meet the benchmark is also ineligible for subsequent HHAP funding cycles until specified requirements are met.

Stakeholders have also weighed in on the HHAP changes they would like to see. Some of the most common recommendations include:

- *Make HHAP funding ongoing, rather than just one-time.* Thus far, each round of HHAP funding has been for just one year. This makes it harder for local jurisdictions to commit to longer-term solutions to homelessness that involve ongoing costs.
- *Give recipients spending flexibility.* Although the high cost of housing predominates, the primary drivers of homelessness vary somewhat from place to place throughout the state. The needs and the existing infrastructure are also different. Understandably, therefore, many HHAP recipients generally want maximum flexibility to tailor how they spend their HHAP dollars to their local circumstances.
- *But not too much flexibility.* Some stakeholders fear that, without tighter parameters on how HHAP money can be spent, some recipients will be too tempted to spend the funding on short-term, stop-gap responses to visible homelessness, such as shelter beds, without investing sufficiently in more permanent housing solutions.
- *Avoid using funding as the primary reward or punishment for meeting HHAP goals.* There is an appeal to awarding a bonus to recipients that are achieving their HHAP goals and taking money away from recipients that are not. That approach bears closer consideration, however. First, it encourages recipients to set low expectations that they are more certain

to meet. Evidence of this dynamic surfaced during when Cal-ICH received the initial applications for HHAP Round 3 funding, as mentioned earlier. Second, tying funding to outcome goals may misdirect resources. After all, recipients that are achieving their goals with their initial allocation have shown that they do not need more money to succeed. Conversely, taking money away from recipients that are not meeting their goals may only make it harder to make progress on homelessness in the affected jurisdiction. Even if the funding is reallocated to another entity operating in the same jurisdiction, there is no guarantee that the new entity will perform better and service disruptions are likely. In other words, punishing HHAP recipients with loss of funding could result in significant harm to the homeless individuals HHAP is intended to help. Finally, tying funding to outcomes creates financial pressure on recipients to game the system by fudging outcomes or using tactics that move people experiencing homelessness into other jurisdictions rather than solving the underlying issue. On the other hand, an obvious counterpoint is: if further funding is not the carrot and stick for meeting HHAP goals, then what would work instead?

### *The Audit Path*

Frustrated by the perceived lack of progress, at least some legislators have recently sought accountability for the use of state homelessness reduction and prevention funding through a slightly different path: the State Auditor's Office. Led by Senator Cortese, a bipartisan group of members from both houses of the Legislature submitted a formal request to the Joint Legislative Audit Committee (JLAC) to have the State Auditor evaluate the City of San Jose's approach to homelessness spending and its efficacy in helping move unhoused people into shelter, housing, and supportive services. In addition to San Jose, the request directs the State Auditor to select a second city to undergo a comparable evaluation. JLAC approved the request on March 22, 2023. The results of the audit are expected back this fall.

### *Beyond HHAP*

As stated at the outset, the intent language included in the proposed trailer bill language makes clear that the Governor would like to see enhanced accountability not just for HHAP but also for the state's investments in homelessness reduction and prevention overall.

Currently, the state funds or administers 35 separate programs aimed at expanding access to housing, health, and social services for people experiencing or at risk of homelessness. These 35 programs are run by nine different state agencies and departments, including the Department of Housing and Community Development, the Department of Social Services, the Department of Health Care Services, the Governor's Office of Emergency Services, California Community Colleges, and the Department of Corrections and Rehabilitation.

The Governor's intent language describes two ways in which these programs might be held to greater accountability. The first is general. For now, the language simply states that eventual legislation should "enhance accountability and further the state's goals of preventing and ending homelessness, utilizing all resources available to local governments [...]." The second is more specific and states that, as part of overall enhanced accountability, the eventual legislation should require cities and counties, as an express condition of receiving state homelessness funding, to



have submitted a compliant housing element [...]” In both cases, the Administration has indicated that the intent language is intended to invite a conversation with the Legislature about what, more precisely, these enhanced accountability systems might look like.

The appeal of this sort of enhanced accountability is obvious given the breadth of state homelessness reduction and prevention programming and that it has not, at least to date, turned the overall tide of homelessness. Trying to envision such a broader system of accountability raises many practical and policy questions, however. In thinking about broader systems of accountability in this space, the Committee may wish to consider and ask about the following:

- Should the system of accountability try to integrate all of the programs? If so, how would the system integrate the differing roles, jurisdictions, and outcome data involved?
- Where state control over sources of spending is limited (as in the case of federally funded entitlement programs, for example), what ability does the state have to attach consequences to whether the program is achieving homelessness reduction and prevention goals?
- What is the right system level for broader accountability? Should accountability attach to the entities receiving the funding? Should it attach to cities? Counties? Regions? What degree of coordination between these various entities should be required? How could broader systems of accountability work at regional levels where homelessness reduction and prevention spending goes directly to sub-regional actors?
- Should accountability measures include funding bonuses for meeting outcome goals? If so, how can this be done without discouraging ambitious goal-setting?
- Should accountability measures include funding penalties when outcome goals are not met? If so, how can this be done in ways that avoid disruption of services to people in need? Is there a danger that outcomes will just get worse?
- If the state stays away from using financial consequences, what other “carrots and sticks” could the state use for enforcing accountability?
- Since the accuracy of data related to homelessness is notoriously difficult to ascertain, is there a danger that pressing for greater accountability based on data will result in situations where recipients alter, exaggerate, or inflate outcomes in order to appear more successful?

**Staff Recommendation.** Hold open.

**1700 CIVIL RIGHTS DEPARTMENT****Issue 19: Transfer Funding and Spending Authority for Contract Legal Services**

**Request.** CRD requests to streamline and create operational efficiencies by permanently transferring funding and spending authority from Program 1500 - Department of Justice Legal Services to Program 1490 - Administration of Civil Rights Law. This would enable CRD to access these funds for legal representation by entities other than Department of Justice (DOJ), when necessary.

**Background.** CRD enforces the state’s primary anti-discrimination laws including, of particular relevance to this request, the Fair Employment and Housing Act (FEHA). As its name suggests, the FEHA prohibits employment discrimination on the basis of disability, race, ethnicity, religion, gender, and sexual orientation, among other enumerated characteristics. CRD is statutorily mandated to receive complaints of employment discrimination. CRD proceeds to investigate those complaints unless the complainant elects to bypass administrative enforcement and proceed directly to court by requesting a right-to-sue letter from CRD. Where CRD investigates and determines that discrimination has taken place, it has the authority to seek redress in court on behalf of the complainant and the public interest. CRD can also bring employment discrimination cases on its own initiative.

CRD explains that it generally litigates cases in trial court through its own in-house attorneys while relying on the DOJ for appellate work. However, according to CRD, it was recently “forced to depart from its usual practice and contract with two outside law firms to litigate certain cases due to one actual and one threatened conflict of interest that could have derailed CRD’s ability to prosecute these important civil-rights enforcement actions” as statutorily mandated. In one situation, DOJ has a conflict of interest that prevented it from representing CRD. In the other instance, CRD had to hire outside counsel “to eliminate the risk that an alleged conflict of interest and related motions would prejudice its legal objectives.” CRD emphasizes that it obtained authorization from the DOJ for both contracts to hire outside counsel.

CRD goes on to explain that “Program 1500 funds are solely dedicated to reimbursing [DOJ]. Anytime CRD must seek outside counsel, the funding for those legal services must instead come from CRD’s Program 1490- Administration of Civil Rights law, while dedicated funds in Program 1500 can remain unspent. Approval of this BCP request means that CRD will continue the same process of using [DOJ] as the primary source for legal services related to appeals and writs while seeking [DOJ] approval for exemptions to obtain outside counsel when necessary. By eliminating Program 1500 and instead placing the funds in Program 1490, CRD would have more flexibility to use the funds to pay either [DOJ] or outside counsel or appropriate legal experts when needed.”

**Staff Recommendation.** Hold open.

**1700 CIVIL RIGHTS DEPARTMENT****2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT****Issue 20: Implementation and Enforcement of Local Tenant Preference Legislation**

**Governor’s Budget Proposal.** The Civil Rights Department (CRD) requests \$1,123,000 General Fund in 2023-24 and \$1,222,000 in 2024-25 and 2025-26 to implement the provisions of SB 649, Cortese, Ch. 660, Stats. 2022.

The Department of Housing and Community Development (HCD) requests a General Fund augmentation of \$445,000 annually starting in 2023-24 through 2025-26 for a consulting contract to implement SB 649, Cortese, Ch. 660, Stats. 2022.

**Background.** When government subsidies are used to create affordable housing, local governments sometimes try to restrict the eligibility to live in that housing to local residents. Such local tenant preference ordinances have the benefit of reducing displacement from the community, especially in jurisdictions experiencing rapid gentrification. The ordinances also have the allure of ensuring that any local contributions to the creation of the affordable housing inure to the benefit of local residents. On the other hand, local tenant preference ordinances carry significant risk of reinforcing housing segregation. Where a local jurisdiction has predominantly white residents, for example, local tenant preferences can result in a *de facto* preference for white tenants.

SB 649 (Cortese, Ch. 660, Stats. 2022) explicitly authorized local governments to enact local tenant preferences in relation to affordable housing created using subsidies from specific government funding sources. At the same time, SB 649 expressly mandated that any such local tenant preference ordinance comply with the FEHA and other laws prohibiting housing discrimination. This includes FEHA’s requirement that local governments take affirmative steps to further fair housing.

Both HCD and CRD request funding and/or staff positions related to the implementation of SB 649.

CRD enforces the state’s primary anti-discrimination laws including, of particular relevance to this request, the Fair Employment and Housing Act (FEHA). As its name suggests, the FEHA prohibits housing discrimination on the basis of disability, race, ethnicity, religion, gender, and sexual orientation, among other enumerated characteristics. CRD is statutorily mandated to receive and investigate complaints of housing discrimination. Where CRD determines that discrimination has taken place, it has the authority to seek redress in court on behalf of the complainant and the public interest. CRD can also bring housing discrimination cases on its own initiative. As the state entity charged with these housing discrimination laws, CRD anticipates that the enactment of SB 649 will result in an increase in its workload, as it receives complaints and/or initiates investigations of new or existing local tenant preferences that may not comport with those housing discrimination laws. Moreover, CRD expects such cases to be costly to undertake. Its request states that:

Such investigations and civil actions will be complex and resource-intensive, involving, for example, substantial investigative discovery, such

as interrogatories, requests for production, and document review; research, data collection, and data analysis to determine whether a particular local tenant preference is having an unlawful disparate impact; and substantial legal briefing. Such investigations and lawsuits generally require outside experts and take several years to resolve.

For its part, HCD indicates that “SB 649 requires HCD to post a list of jurisdictions with a local tenant preference on HCD’s website” and that “SB 649 will likely result in additional preference requests for HCD to analyze to ensure compliance with applicable fair housing requirements.” Like CRD, HCD notes that “[t]enant preference policies are legally and factually complex.”

**Comparison to Senate Appropriations Analyses:** The amount requested by CRD is on the lower end of the estimate considered by the Senate Appropriations Committee, which was “a likely cost of \$1 million (GF) to \$2 million (GF) annually.”

The amount requested by HCD is significantly lower than projections during consideration of SB 649 by the Senate Appropriations Committee, which were: (1) costs of \$1.1 million annually for five staff positions, including one attorney position, to analyze and ensure preference requests comply with applicable fair housing requirements; and (2) the possible need to contract with an external statistician at an yet-to-be-determined cost for consulting on any disparate impact fair housing analyses HCD would conduct upon receiving a request to approve a housing preference.

**Staff Comment.** Staff notes there may at least be the possibility of duplicated work here. Both HCD and CRD state that they will be doing the complex work of reviewing local tenant preference ordinances for compliance with civil rights laws. It appears that the trigger for the review will be different: HCD will review upon receiving a request from a local jurisdiction whereas CRD will review in response to a complaint. That may also raise the possibility of differing conclusions. For example, could CRD rule that a local tenant preference ordinance violates FEHA after HCD staff concluded it did not? The Subcommittee may wish to ask about how the respective Departments are thinking about these issues and whether collaboration is possible to achieve efficiencies and avoid conflicting outcomes.

**Staff Recommendation.** Hold open.

**2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT****Issue 21: CalHome Reduction (with Restoration Trigger)**

**Governor’s Budget Proposal.** The 2022 Budget Act included \$350 million one-time General Fund (\$250 million in the 2022 Budget Act and \$100 million committed for 2023-24) for the Department of Housing and Community Development (HCD)’s CalHome program. The Governor’s Budget proposes to remove \$100 million one-time General Fund in 2023-24, to be restored if the revenue outlook improves and there is sufficient General Fund in January 2024.

**Background.** The CalHome program provides grants to local agencies and nonprofits to assist low- and very-low-income first-time homebuyers with housing assistance, counseling and technical assistance. Specifically, the local agencies and non-profits are authorized to use CalHome grant funding for the following purposes:

- to assist individual first-time homebuyers through deferred-payment loans for downpayment assistance, home rehabilitation, including manufactured homes not on permanent foundations, acquisition and rehabilitation, homebuyer counseling, self-help mortgage assistance, or technical assistance for self-help homeownership;
- direct, forgivable loans to assist development projects involving multiple ownership units, including single-family subdivisions; and
- loans for real property acquisition, site development, predevelopment, construction period expenses of homeownership development projects, or permanent financing for mutual housing and cooperative developments.

The Governor’s proposed cut would eliminate all of the funding previously authorized for CalHome in 2023-24. Due to limited outcome data specific to the CalHome program, it is difficult to say exactly what impact the funding reduction would have. Presumably, at least some Californians will not access homeownership who otherwise might have.

**LAO Comments.** As an initial matter, the LAO indicates that it anticipates the budget problem will be “roughly \$7 billion larger than anticipated in January,” and accordingly, the LAO does not anticipate that any funding subject to the proposed trigger language will be restored midway through the fiscal year.

As to this particular reduction proposal, the LAO reports that the administration’s stated rationale for focusing reductions in these programs is “related to the currently high interest rates and cost of construction—increasing the cost of homeownership (without increases to assistance levels).” The LAO considers that “[t]his rationale may be reasonable given the increased cost may dampen interest in the program.”

At the same time, the LAO urges legislative consideration of alternatives:

The Governor's budget reflects one approach to addressing the state's budget constraints. However, the Legislature could consider other options. For example, the Legislature could identify other housing and homelessness funds to reduce or delay, or adjust the magnitude of housing and homelessness budget solutions. If the Legislature were to reduce the magnitude of housing and homelessness-related budget solutions, it would have to identify savings in other areas of the budget in a like amount.

**Staff Recommendation.** Hold open.

---

**Issue 22: Employee Housing Regulation Fund Establishment and Increase in Inspectors**

---

**Governor’s Budget Proposal.** Through proposed trailer bill language, the Governor’s budget requests the establishment of the Employee Housing Regulation Fund in HCD. Through a related budget change proposal, the Governor’s budget also requests authority to use money in that Fund for HCD to hire 10 additional staff in 2023-24 and ongoing to address critical health and safety conditions within Mobilehome Parks, Special Occupancy Parks, Employee Housing (EH) facilities, and for mobilehome and manufactured housing occupants statewide.

**Background.** In order to attract the labor they need to operate, some California businesses provide housing to their employees. This kind of housing is particularly prevalent in the agricultural sector and is a mandatory part of the H2-A visa program, under which agricultural employers can bring foreign laborers to the United States to work on a temporary basis. Employee housing is also sometimes found in other seasonal or remote work contexts like summer camps and ski lodges.

In order to provide employee housing, employers must pass a health and safety inspection and obtain a permit to operate (PTO). By statute, HCD has the responsibility to carry out these inspections and issue the corresponding PTOs. HCD reports that there are currently 1,079 permitted employee housing facilities under HCD enforcement, housing approximately 35,000 employees.

The same statute also empowers HCD to charge fees for its inspection and permitting services. Those fees are as follows:

- \$200 Permit to Operate Issuance Fee (Includes Initial Inspection Fee)
- \$27 Per Employee Fee
- \$27 Per Lot or Site Fee
- \$178 Reinspection Fee (1 hour)
- \$82 Each additional Hour (Reinspection or Initial Inspection)
- \$42 Each additional Half Hour (Reinspection or Initial Inspection)

**Proposed Trailer Bill Language.** The Governor’s proposed trailer bill language makes two adjustments related to these fees. First, the existing statute only allows HCD to increase these fees. The Governor’s proposed trailer bill language gives HCD the discretion to reduce the fees as well. Second, HCD currently deposits the Employee Housing fees it collects into the General Fund. The Governor’s proposed trailer bill establishes a separate Fund, the Employee Housing Regulation Fund, where HCD would deposit all the Employee Housing fees it generates going forward. To be clear, the establishment of the new fund neither imposes new fees nor generates new revenue. It simply changes the accounting in a way that should make the Employee Housing program’s revenues and expenditures easier to track and more transparent.

**Budget Change Proposal.** Relatedly, HCD also requests hiring authority for the addition of 10 positions to its staff that conduct and process health and safety inspections statewide, including, but not limited to employee housing inspections. Specifically, HCD seeks:

- 2 Positions - Codes and Standards Administrator I: Will provide guidance, direction, and mentoring to junior team members, and regularly meet with local governing bodies and industry professionals. Positions will balance existing administrative and leadership responsibilities, ensure employee accountability, and monitor/control workloads of DR and Program Technicians.
- 4 Positions - District Representative II: Will perform a wide range of inspections/investigations each working day within a large geographical area of the state. Lead DR IIs conduct MPM inspections, complex complaint investigations, complex construction inspections, and assist the entry level DR Is with the full range of DR-related responsibilities including conducting inspections for MPMs, MH alterations, MP construction (e.g., new construction, utility upgrades, health and safety permitted repairs, etc.), EH, and complaint investigations.
- 4 Positions - Program Technician II: Will provide in-person support ranging from counter services, responding to constituent phone calls and emails, and processing construction permit applications and complaint investigation requests.

HCD asserts that the additional staffing is needed to respond to increased workload and to shortcomings identified in a 2019 California State Auditor (CSA) evaluation of HCD's mobilehome inspection programs. As described by HCD, that audit found "statewide deficiencies in complaint processing, a lack of regular park field monitoring, and failure to provide timely health and safety inspections within parks." Accordingly, HCD states: "[a]dditional staffing is needed to address the Auditor's findings, the increased workload demand, and to better serve HCD stakeholders by completing timely health and safety inspections and investigations."

As this justification and the job descriptions above make clear, although HCD proposes to pay for some of the additional staffing in this request out of the Employee Housing Regulation Fund, the additional staffs' work would not be confined to inspecting employee housing. Rather, the additional staff would also conduct inspections and enforce health and safety standards at mobilehome parks and RV parks (also known as "Special Occupancy Parks" or SOPs). HCD reports that there are approximately 5,188 such parks located throughout the state (4,472 mobilehome parks and 716 RV parks). Thus, HCD concludes that, if this proposal is approved, "[o]wners and residents occupying manufactured homes or mobilehomes located in HCD MPs and SOPs or installed on private property statewide, as well as employees residing in EH facilities, will benefit from increased staffing and HCD's enhanced response time to construction inspection requests, health and safety complaint investigations, and EH preoccupancy inspections."

**Staff Comments.** Staff notes that an increase in the number of code inspectors examining conditions at mobilehome parks, RV parks, and employee housing facilities may be warranted. In light of the state's fiscal condition, the fact that some of the positions will be paid for through fee generation and therefore do not add as much pressure on the General Fund is welcome. However, the Subcommittee may wish to evaluate the proposal within the broader context of HCD's other mobilehome park inspection programs. In particular, some of the statutory authority for the Mobilehome Park Maintenance (MPM) inspection program is scheduled to expire at the end of this year and Subcommittee staff is unaware of any currently pending legislation which would



extend it. MPM is funded through annual fees of \$4 per space assessed against the parks, of which the parks may pass on half as a charge to homeowners. HCD reports having conducted 197 mobilehome park inspections between January 1, 2022, and December 31, 2022, representing 5.35 percent of mobilehome parks overall and including 29,011 mobilehome park lots.

**Staff Recommendation.** Hold open.

---

**Issue 23: Community Development Block Grant—Disaster Recovery**

---

**Governor’s Budget Proposal.** The Governor’s Budget requests the incorporation of \$231.2 million in 2023-24 in federal Community Development Block Grant – Disaster Recovery funding into HCD’s budget. HCD also seeks the authority to hire 20 additional staff to enable the department to allocate these funds to communities impacted by the 2020 wildfires. The Governor also requests that provisional language be added to provide an extended encumbrance period and to allow the transfer of funding for state operations.

**Background.** The 2020 wildfire season was the largest and most destructive in California's recorded modern history, HCD reports, citing the California Department of Forestry and Fire Protection (CalFire). In response, the President of the United States issued two major disaster declarations, the first in August of 2020 and another in October of the same year.

These federal disaster declarations triggered the distribution of immediate aid and assistance to California. They also set the stage for California to receive the longer-term disaster recovery funding that is the subject of this request. The United State Department of Housing and Urban Development (HUD) allocated this longer-term disaster recovery funding to California in February of 2022, in the amount of \$231.2 million, for administration by HCD. Specifically, according to HCD, “HUD designated \$201 million for unmet housing and infrastructure needs and \$30.2 million for mitigation efforts. [...] . Per HUD’s designation, \$201 million of the 2020 CDBG-DR allocation will be used to fund activities through the existing Multifamily Housing Program, Owner-Occupied Rehabilitation Program, Homebuyer Assistance Program and FEMA PA Match. In addition, \$30.2 million of the 2020 CDBG-DR allocation will fund two new programs, Multifamily Housing Mitigation Program the Owner-Occupied Rehabilitation Mitigation Program.”

HCD states that all of the 2020 CDBG-DR funding will be allocated to the Most Impacted and Distressed (MID) areas, in accordance with HUD requirements. The following counties make up the MID areas for the 2020 wildfires: Butte, Fresno, Los Angeles, Napa, Santa Cruz, Shasta, Siskiyou, Solano, and Sonoma.

In the past, this sort of federal disaster relief has usually been administered locally, but local governments do not always have sufficient capacity to do this effectively, especially in small or rural jurisdictions. To address that issue, HCD will be in charge of distribution of this tranche of disaster relief money, necessitating an augmentation in HCD’s staffing.

This budget change proposal requests four things in relation to the expenditure of this CDBG-DR funding:

- (1) incorporation of these disaster recovery funds into HCD’s budget;
- (2) authorization for HCD to hire the additional staff necessary to oversee the proper distribution of these funds;

- (3) authorization to expend this funding at any time up through September 16, 2028, the federal deadline for utilizing the money before it would have to be returned; and
- (4) authorization to transfer as much as \$34.7 million of the funds to state operations upon order of the Department of Finance. This amount represents the full federal allowance for state operations through the end of the expenditure period.

**Staff Comments.** As California would not be able to receive and distribute this federal funding otherwise, approving the first three components of this request appears to make sense. However, the Legislature may wish to retain greater oversight over how the \$34.7 million in state operation assistance is utilized over time. Even without insisting on annual budget requests, the Legislature could require the Department of Finance to provide notice and information to the Joint Legislative Budget Committee before transfers to state operations are made.

**Staff Recommendation.** Hold open.

**Issue 24: Changes to the Definition of “Rural Areas” for the Purposes of Housing Funding and Changes to the Joe Serna Jr. Farmworker Housing Grant Program**

**Governor’s Budget Proposal.** Through proposed budget trailer bill language, the Governor requests changes to:

- 1) revise the definition of “rural areas” for purposes of many of the state’s affordable housing funding programs, including set asides within the state Low Income Housing Tax Credit (LIHTC) program for affordable housing projects in rural areas; and
- 2) enable for-profit entities to apply for loans from the Joe Serna Jr. Farmworker Housing Grant Program (FWHG) for the construction or rehabilitation of rental housing for lower income agricultural employees and their families.

**Background on the definition of “rural areas” for affordable housing funding purposes.** HCD explains that the current definition of “rural areas” applicable to the majority of California’s affordable housing financing programs has become outdated. The current definition relies on a cross-reference to Section 515 program of the Rural Development Administration of the United States Department of Agriculture. HCD reports that USDA has advised the department to make use of a more current definition of rural. The proposed trailer bill language makes this adjustment.

In addition, HCD states that portions of the existing definition of rural areas are confusing and difficult to apply consistently. To address this, the proposed trailer bill language modifies the definition of rural areas to include areas that are eligible for specified federal multi-family rural housing programs as well as unincorporated areas that do not adjoin a city and is not located within a census tract, block group, or block designated as an urban area by the United States Census Bureau in the most recent decennial census. HCD indicates that, as a practical matter, this does not significantly change the geographic locations that are eligible for funding, but does provide greater clarity.

**Background on the Joe Serna Jr. Farmworker Housing Grant Program.** The FWHG helps fund new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower income households. (Health & Saf. Code § 50517.5.) Existing law sets forth a series of different categories of projects to which FWHG funding can be put. Existing law makes “local public entities, nonprofit corporations, limited liability companies, and limited partnerships” eligible to apply for grants for any of these kinds of projects. HCD reports that it interprets this language to mean that for-profit entities may not apply for funding through FWHG. The proposed trailer bill language changes open up eligibility to for-profit entities for one particular category of FWHG project: construction or rehabilitation of rental housing for lower income agricultural employees and their families.

HCD states that opening up this part of FWHG to for-profit entities is necessary to more smoothly incorporate FWHG into the streamlined SuperNOFA process. That process enables applicants to seek affordable housing development funding from several sources administered by HCD through a single application. Since for-profit entities are eligible for the other funding sources integrated into the SuperNOFA process, FWHG’s existing prohibition on for-profit applicants makes it

harder to administer within the SuperNOFA process. HCD has attempted to address this issue by allowing non-profit and for-profit collaborations to apply for FWHG funding within the SuperNOFA process, but HCD asserts that that solution is “cumbersome and results in significant delays with respect to approval and execution of those standard agreement contracts, which further delays the development of affordable housing projects.”

**Staff Comments.** The proposed trailer bill language additionally states that any entity applying for the FWHG funding in question would have to be certified by HCD as qualified to own, manage, and rehabilitate a rental housing development. HCD has indicated that no such certification program exists, that this aspect of the proposed trailer bill is in error, and that it will be removed.

**Staff Recommendation.** Hold open.

**2245 CALIFORNIA HOUSING FINANCE AGENCY****Issue 25: California Dream for All Program Reduction (with Restoration Trigger)**

**Governor’s Budget Proposal.** The 2022 Budget Act allocated \$500 million in one-time General Fund dollars to the California Housing Finance Agency (CalHFA) to launch the California Dream for All program. The Governor’s Budget proposes to revert \$200 million of the \$500 million one-time General Fund in 2023-24. If there is sufficient General Fund in January 2024, these reductions will be restored.

**Background.** The California Dream for All program is designed to help low- and moderate-income Californians achieve homeownership for the first time, opening up a key path to building intergenerational wealth. The program offers shared-appreciation loans to eligible first-time homebuyers so that they can make a 20 percent down payment toward the purchase of their new home. Reaching this down payment threshold unlocks financial benefits for the homebuyers in reduced interest and mortgage insurance payments. When the program participants go to sell their home sometime later, the California Dream for All program receives back the money it contributed to the down payment, plus 20 percent of any accrued value in the home. These amounts then return to the pool of funds that the program can use to assist still more first-time California homebuyers. In this way, the program is intended to be financially self-sustaining.

CalHFA opened the California Dream for All program to applications in late March 2023. By Early April, CalHFA paused the program due to “unprecedented demand.” CalHFA’s announcement of the pause stated that:

The \$300 million in Dream For All funding currently available to CalHFA is expected to help more than 2300 low- and moderate-income Californians purchase their first homes. CalHFA is extremely proud of this successful program and pleased to make such a profound difference in the lives of so many Californians who have achieved the dream of homeownership.

In a press release, State Senate President Pro Tempore Toni Atkins also praised the program’s initial outlook:

It is incredible and inspiring to see that the launch of the California Dream for All program has already been so successful – the fact that it has helped more than 2,400 first time homebuyers with their down payments in its first two weeks is terrific. That rapid response and resulting use of the \$300 million in funding currently available shows just how critical this down payment assistance program is for California families.

**LAO Comments.** As an initial matter, the LAO indicates that it anticipates the budget problem will be “roughly \$7 billion larger than anticipated in January,” and accordingly, the LAO does not anticipate that any funding subject to the proposed trigger language will be restored midway through the fiscal year.

Assuming no restoration, the LAO states that, based on analysis commissioned by the State Treasurer's Office, the reduction in funding could result in Dream for All assisting 1,500 fewer first-time homebuyers. The remaining \$300 million would still enable the program to assist another 2,300 first-time homebuyers, approximately.

**Staff Comments.** Given the unprecedented demand shown for the program, its potential for self-funding, and its promise of helping low- and moderate-income Californians access homeownership, the Subcommittee may want to consider whether the Governor's proposed reduction makes sense. Early visions for the program involved a goal to provide about \$1 billion per year for 10 years in order to create a \$10 billion Revolving Fund that could sustain the program. The proposed reductions take a step further away from this vision and could create some frustration among Californians who learn about the program only to discover that it is only available to a relatively small number of first-time homebuyers.

**Staff Recommendation.** Hold open.

**Issue 26: Accessory Dwelling Unit Grants Reduction (with Restoration Trigger)**

**Governor’s Budget Proposal.** The 2022 Budget Act included \$50 million one-time General Fund for the Accessory Dwelling Unit program administered by CalHFA. The Governor’s Budget proposes to revert \$50 million one-time 2022-2023 General Fund dollars. If there is sufficient General Fund in January 2024, the Governor proposes that these reductions will be restored at that time.

**Background.** Sometimes known as casitas, granny flats, in-law units, backyard cottages, or secondary units, accessory dwelling units (ADUs) are additional housing units built alongside or within existing housing stock. ADUs add residential density and potentially offer a form of naturally-occurring affordable housing. CalHFA lauds them as “an innovative, affordable, and effective option for adding much-needed housing in California.”

Constructing an ADU can be financially beneficial for the primary homeowner: the addition of an ADU typically raises the overall property value and is a potential source of rental income. Constructing an ADU requires significant investment up front, however, so it is not always an option for lower-income homeowners. Although ADU design and permitting have been greatly streamlined in recent years, the technical requirements involved can also be a barrier to ADU construction.

The ADU program at CalHFA is intended to assist homeowners to overcome these potential barriers to ADU construction. As described by CalHFA, the program provides “up to \$40,000 towards pre-development and non-reoccurring closing costs associated with the construction of the ADU. Predevelopment costs include site prep, architectural designs, permits, soil tests, impact fees, property survey, and energy reports.”

CalHFA reports that, as of March 1, 2023, all of the program’s existing funding for grants were “fully reserved,” so the proposed reduction means that no further grants will be available unless additional funding is allocated to the program at a later time.

**LAO Comments.** As an initial matter, the LAO indicates that it anticipates the budget problem will be “roughly \$7 billion larger than anticipated in January,” and accordingly, the LAO does not anticipate that any funding subject to the proposed trigger language will be restored midway through the fiscal year.

Assuming no restoration, the proposed reduction in funding would, the LAO states, result in 1,250 fewer ADU grants.

**Staff Recommendation.** Hold open.



---

**Issue 27: Separating CalHFA from HCD**

---

**Governor’s Budget Proposal.** The Governor proposes to formally separate CalHFA from the Housing and Community Development Department (HCD) through trailer bill language accompanying the 2023-2024 budget.

**Background.** HCD is the umbrella organization for most of the state’s housing policy and programs. The Department:

- administers the various grant programs through which the state invests in the development and preservation of affordable housing;
- oversees statewide planning for housing development through the Regional Housing Needs Assessment (RHNA) process;
- develops, administers, adopts, and enforces uniform statewide building standards, with a particularly active role in inspecting the condition of mobilehome parks, RV parks, manufactured homes, and employee housing to ensure with health and safety standards there.

California’s Housing Finance Agency, as its name suggests, is primarily charged with the administration of programs that help low- and moderate-income Californians finance homeownership and the development of affordable rental housing. As detailed by CalHFA, “[t]he Agency’s Multifamily Lending Division finances affordable rental housing through collaborations with developers, local, state and federal government partners and more, while its Single Family Division partners with a preferred lender network to provide first-time homebuyers with down payment and closing cost assistance and access to first mortgage loans. CalHFA is a self-supported state agency that doesn’t rely on taxpayers dollars for its operational costs but regularly administers various state and federal resources on behalf of the state.”

Currently, CalHFA is housed with HCD. The trailer bill language proposed by the Governor would remove CalHFA from under HCD and place it directly under the overall Business, Consumer Services, and Housing Agency (BCSH), instead.

The Administration reports that making this change will have no effect on either HCD or CalHFA’s substantive authority, but will achieve some budgeting and accounting efficiencies, as CalHFA matters will no longer have to route through HCD.

**Staff Recommendation.** Hold open.