

MAY 26, 2021

The 2021-22 May Revision— Overview and Analysis of Housing and Homelessness Proposals



LEGISLATIVE ANALYST'S OFFICE

Governor's May Revision Housing and Homelessness Proposals

Governor Has Many Housing- and Homelessness-Related Proposals

- 37 proposals spanning 13 state entities.
 - The proposals span the housing, homelessness, health, human services, veterans services, transportation, higher education, and labor areas of the budget.
 - 16 proposals relate to housing, 14 proposals relate to homelessness, and 7 are other related proposals.
 - The last few pages of the handout list all the proposals.
- \$12.2 billion in total proposed funding in 2021-22.
 - 99 percent of the funding is one time, 1 percent is ongoing.
 - 60 percent is federal funding, 40 percent is state funding.
 - 50 percent of discretionary spending would be on primarily housing-focused proposals, 30 percent of discretionary spending would be on primarily homelessness-focused proposals, and 20 percent of discretionary spending would be on other housing- and homelessness-related proposals.
 - Roughly 80 percent of discretionary spending would be primarily related to infrastructure, 20 percent of discretionary spending would be primarily for programs and services related to housing and homelessness.
- About one-third of the funding is associated with new initiatives (rather than expansions of existing programs).



Assessment of Governor's May Revision Housing and Homelessness Proposals

- ***While the Governor Establishes One Goal—“Functional Zero” Family Homelessness—Proposals Do Not Lay Out Clear Plan or Objectives.*** In the May Revision, the Governor sets a goal to attain functional zero family homelessness in five years. How the proposed combination of proposals would work together to form a cohesive plan for addressing the Governor's goal or the state's broader housing and homelessness challenges is unclear. Additionally, the state has pursued a series of one-time approaches to address homelessness in recent years. It is not clear how the May Revision proposals build off of the lessons learned and challenges identified in these prior efforts.
- ***Governor Focuses on Expanding Existing State Programs and Some New Programs, Rather Than Providing Direct Assistance to Local Governments.*** The Governor's May Revision largely would expand existing state programs to build affordable housing and would expand some state safety net programs that offer housing assistance and would establish some new programs. While recent budgets have provided flexible funding directly to local governments so they can address homelessness in their own communities, the May Revision does not include this type of proposal.
- ***Governor Continues to Rely on One-Time Resources.*** The Governor continues to rely on one-time resources to address the state's ongoing housing and homelessness challenge. How programs would be sustained—including necessary services—after one-time resources expire is unclear.
- ***State's Capacity to Allocate Proposed Funding Unclear.*** In many cases, the proposed funding is many orders of magnitude above what has been provided previously for programs. The state's ability to spend the major augmentations within the proposed time lines in the May Revision is unclear.
- ***Proposals Lack Plan for Coordination and Oversight.*** Despite proposing augmentations across 13 state entities, the administration does not include a proposal for coordination and tracking outcomes. Without this information, assessing the impact of the proposals would be very challenging.



Guidance for Legislative Action

- **Consider Withholding Some Decisions.** Many of the proposals are funded through federal funds from the American Rescue Plan (ARP). This funding is available through December 31, 2024. The Governor also proposes to fund multiple years of activities—using ARP and General Fund resources—as part of the 2021-22 budget. The Legislature need not take action on these proposals now. Providing more modest augmentations would allow the Legislature to assess the results of prior allocations before providing additional funding in future years.
- **Legislature Could Pursue Two-Pronged Approach in Budget Year: Continue Proven Programs and Pilot New Approaches.**
 - **Continue Proven Programs.** This would allow the Legislature to address immediate needs by allocating a portion of proposed funding that closely aligns with expected capacity in existing, proven programs in 2021-22.
 - **Pilot New Approaches.** The Legislature also has an opportunity to test new approaches for addressing the state’s housing and homelessness challenges before deciding to fund full-scale programs. We recommend appropriating relatively smaller amounts for these pilots as they are untested.
- **Consider Establishing Housing and Homelessness Fund for Use in Future Fiscal Years.** The magnitude of investment in housing and homelessness proposed by the Governor is significant. The Legislature could allocate some funding in 2021-22 and place the remainder—or a different amount—in a housing and homelessness fund for use in future fiscal years. Such a fund would provide the Legislature additional time to make key policy decisions about its approach towards addressing the state’s housing and homelessness challenges and help ensure more stable funding for housing and homelessness programs in the long term. The Legislature could take this action without prejudice to the Governor’s May Revision proposals, and provide itself time to consider if the proposals are



Guidance for Legislative Action

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properly sized, address key implementation issues, and ensure there is adequate coordination and oversight in place. (If established for capital outlay related to housing and homelessness, we believe this fund would be considered an exclusion from the state appropriations limit, so long as it met certain requirements.)

- ***Use Forthcoming Information to Inform Future Decisions.*** We recommend approving the administration’s proposal for a homelessness assessment. The outcome of that assessment could help determine if state investments are aligned with local homelessness response systems. A recently launched data system by the Homelessness Coordinating and Financing Council also could help the Legislature make better-informed budget decisions in future fiscal years.
- ***For Any Authorized Funds, Set Clear Expectations and Establish Metrics to Assess Performance.*** We recommend the Legislature consider how the state would coordinate work related to these proposals across myriad programs and departments. Setting clear expectations through statute and establishing reporting requirements to facilitate oversight over the state’s progress towards addressing homelessness and housing affordability will be critical.



Housing and Homelessness Proposals

The tables provide a listing of the housing, homelessness, and other related proposals included in the Governor’s May Revision, as we understand them at this time. For many proposals, anticipated legislation is not yet available. We will continue to analyze these proposals as more information and trailer bill becomes available in the coming days, and adjust our comments and thoughts as necessary.

Housing-Related Proposals in the 2021-22 May Revision							
<i>(In Millions)</i>							
Area	Department	Proposal	One Time or Temporary 2021-22	Ongoing 2021-22	Total 2021-22	2024-25	Fund Source
Total Housing Proposals			\$7,521.0	\$5.3	\$7,526.3	\$13.3	
Higher Education	School Finance Authority	Affordable College Student Housing. Provides funding for higher education student housing.	2,000.0	—	2,000.0	—	GF
Housing	HCD	Affordable Housing Backlog Production. Provides financing for affordable housing projects in lieu of tax credits.	1,750.0	—	1,750.0	—	ARP
Housing	HCD	Emergency Rental Assistance Program. Provides emergency rental assistance for rent, utilities, and housing-related expenses.	1,200.0	—	1,200.0	—	ARPA
Housing	CalHFA	Homeowner Assistance.^b Provides mortgage assistance, principal reductions, and qualified housing-related charges.	1,000.0	—	1,000.0	—	ARPC
Housing	HCD	Regional Planning Grants. Increases funding for REAP.	500.0	—	500.0	—	ARP
Housing	HCD	Affordable Housing Preservation Initiative. Provides funding to maintain state’s affordable housing stock.	300.0	—	300.0	—	ARP
Housing	HCD	IIG Program. Provides funding for housing-related infrastructure focused on brownfield remediation.	250.0	—	250.0	—	GF
Higher Education	CSU	CSU Humboldt Transition to Polytechnic University. Provides funding to expand student housing.	220.0	—	220.0	—	GF
Housing	CalHFA	Homebuyer Assistance. Increases funding for homebuyer assistance programs.	100.0	—	100.0	—	ARP

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Housing and Homelessness Proposals

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Area	Department	Proposal	One Time or Temporary 2021-22	Ongoing 2021-22	Total 2021-22	2024-25	Fund Source
Housing	CalHFA	ADU Financing. Increases funding for ADU financing program.	81.0	—	81.0	—	ARP
Housing	CalHFA	Mixed-Income Program. Increases funding for the Mixed-Income Program.	45.0	—	45.0	—	GF
Housing	HCD	Scaling Excess Sites Development. Expands the state excess site program for affordable housing development.	45.0	—	45.0	—	ARP
Housing	HCD	Office Migrant Services One-Time Deferred Maintenance. Addresses deferred maintenance of farmworker housing.	30.0	—	30.0	—	GF
Housing	HCD	Foster Care Transitional Housing Extension. Provides county transitional housing services for young adults, focus on former foster youth.	—	—	—	8.0	GF
Housing	HCD	Housing Navigator for Foster Youth. Provides housing navigator for foster youth.	—	5.0	5.0	5.0	GF
Housing	HCD	Housing Law Assistance (Information Technology). Increases resources to enforce housing law.	—	0.3	0.3	0.3	GF

^a Emergency Rental Assistance Program in ARP.
^b Reflects anticipated federal resources to the state from the Homeowner Assistance Fund. The administration has not scored federal funding as the state plan for use of funding is pending approval from the U.S. Department of the Treasury.
^c Homeowner Assistance Program in ARP.

GF = General Fund; HCD = Housing and Community Development Department; ARP = American Rescue Plan; CalHFA = California Housing and Financing Agency; REAP = Regional Early Action Planning Program ; IIG = Infill Infrastructure Grant; and ADU = Accessory Dwelling Unit.



Housing and Homelessness Proposals

(Continued)

Homelessness-Related Proposals in the 2021-22 May Revision								
<i>(In Millions)</i>								
Area	Department	Proposal	2020-21	One Time or Temporary 2021-22	Ongoing 2021-22	Total 2021-22	2024-25	Fund Source
Total Homelessness Proposals			\$100.0	\$3,028.3	\$45.1	\$3,073.4	\$45.1	
Homelessness	HCD	Homekey Program. Increases funding for Homekey Program.	—	1,750.0	—	1,750.0	—	GF/ARP
Human Services	DSS	CalWORKs Housing Support Program. Increases funding for Housing Support Program.	—	475.0	—	475.0	—	GF
Human Services	DSS	Brining Families Home Program. Increases funding for Bringing Family Homes Program.	—	280.0	—	280.0	—	GF
Human Services	DSS	Housing and Disability Advocacy Program. Increases funding for Housing and Disability Advocacy Program.	—	175.0	—	175.0	—	GF
Human Services	DSS	Roomkey Program. Increases funding for Roomkey Program transition and rehousing.	—	150.0	—	150.0	—	GF
Human Services	DSS	Home Safe. Increases funding for Home Safe Program.	—	100.0	—	100.0	—	GF
Higher Education	CCC	Student Basic Needs. Provides funding for various basic needs, including emergency housing.	100.0	—	—	—	—	Prop 98 GF
Homelessness	HCFC	Encampment Resolution Grants. Provides grants to address homeless encampments.	—	50.0	—	50.0	—	GF

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Housing and Homelessness Proposals

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Area	Department	Proposal	2020-21	One Time or Temporary 2021-22	Ongoing 2021-22	Total 2021-22	2024-25	Fund Source
Homelessness	HCFC	Family Homelessness Grants & Technical Assistance. Provides assistance to local governments to address family homelessness.	—	40.0	—	40.0	—	GF
Higher Education	CCC	Basic Needs Centers and Coordinators. Provides funding for basic needs center and coordinator at each college to assist students with hunger and housing insecurities.	—	—	30.0	30.0	30.0	Prop 98 GF
Higher Education	CSU	Student Basic Needs Initiative. Provides funding to various basic needs, including emergency housing.	—	—	15.0	15.0	15.0	GF
Homelessness	HCFC	Homeless Landscape Assessment. Assessment of local homelessness service providers and state funded homelessness programs.	—	5.6	—	5.6	—	GF
Transportation	Caltrans	Encampment Relocation and Homeless Services Liaisons. Provides resources to addresses homeless encampments statewide.	—	2.7	—	2.7	—	GF
Other	State Library	California Homeless Youth Project Manager. Provides funding for a new homeless youth project manager.	—	—	0.1	0.1	0.1	GF

HCD = Housing and Community Development Department; GF = General Fund; ARP = American Rescue Plan; DSS = Department of Social Services; and HCFC = Homelessness Coordinating and Financing Council.



Housing and Homelessness Proposals

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Other Housing- and Homelessness-Related Proposals in the 2021-22 May Revision							
<i>(In Millions)</i>							
Area	Department	Proposal	One Time or Temporary 2021-22	Ongoing 2021-22	Total 2021-22	2024-25	Fund Source
Other Related Proposals			\$1,600.0	\$20.6	\$1,626.0	\$20.6	
Health	Medi-Cal	Behavioral Health Continuum Infrastructure Proposal. Funds grants to local entities for behavioral health infrastructure, including for (1) individuals age 25 and under and (2) individuals declared incompetent to stand trial.	1,010.0	—	1,010.0	—	GF/ARP
Human Services	DSS	Community Care Expansion. Provides funding for preserve and expand RCFEs and ARFs.	500.0	—	500.0	—	GF/ARP
Veterans Services	CalVet	Veterans Support for Self-Reliance Program. Provides competitive grants to support aging veterans and veterans with disabilities.	25.0	—	25.0	—	GF
Transportation	Caltrans	Cleanup California. Provides funding for various clean-up activities.	25.0	—	25.0	—	GF
Transportation	Caltrans	Hazardous Material Removal at Encampments. Provides resources to clean up encampments.	—	20.6	20.6	20.6	Special Fund
Labor	Workforce Development Board	Construction Apprenticeships. Increases funding for High Roads Construction Careers Apprenticeships.	20.0	—	20.0	—	GF
Criminal Justice	Judicial Branch	Legal Aid for Renters and Homeowners. Increases funding to assist renters in landlord-tenant disputes and homeowners to avoid foreclosure.	20.0	—	20.0	—	ARP

GF = General Fund; ARP = American Rescue Plan; DSS = Department of Social Services; RCFEs = Residential Care Facilities for the Elderly; ARFs = Adult Residential Facilities; and CalVet = California Department of Veterans Affairs.

