

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Fiscal Year 2016/17	Business Unit 0959	Department California Debt Limit Allocation Committee	Priority No. 1
Budget Request Name 0959-300-BCP-BR-2016-A1		Program 0810 – California Debt Limit Allocation Committee	Subprogram

Budget Request Description
 Staff Augmentation to Address Increases in Workload for Existing Programs

Budget Request Summary

The California Debt Limit Allocation Committee (CDLAC) requests one (1) Associate Governmental Program Analyst, and a corresponding increase in expenditure authority of \$132,000, to address an increase in applications/workload across CDLAC's existing programs.

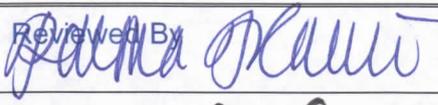
No General Fund resources are necessary to establish this position. The fees CDLAC collects pursuant to Government Code § 8869.90 will fund the increase in operational costs.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date

For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

FSR SPR Project No. Date:

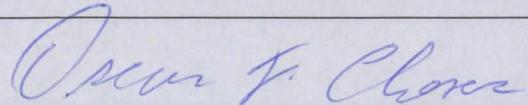
If proposal affects another department, does other department concur with proposal? Yes No
 Attach comments of affected department, signed and dated by the department director or designee.

Prepared By 	Date 3-8-16	Reviewed By 	Date 3/8/16
Department Director	Date	Agency Secretary 	Date 3/8/16

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA 	Date submitted to the Legislature 4/1/16
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Supplemental Information

(Dollars in thousands)

BCP No. 1	Proposal Title Staff Augmentation to Address Workload
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Equipment	CY	BY	BY +1
Personal Computer and Software		3	
Office Furniture		7	
Total	\$0	\$10	\$0

Consulting & Professional Services

State Treasurer's Office Administration Contract		15	15
Total	\$0	\$15	\$15

Facility/Capital Costs

Total	\$0	\$0	\$0
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One-Time/Limited-Term Costs Yes No

Description	BY		BY +1		BY +2	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
Total	0.0	\$0	0.0	\$0	0.0	\$0

Full-Year Cost Adjustment Yes No

Provide the incremental change in dollars and positions by fiscal year.

Item Number	BY		BY +1		BY +2	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
Total	0.0	\$0	0.0	\$0	0.0	\$0

Future Savings Yes No

Specify fiscal year and estimated savings, including any decrease in positions.

Item Number	BY		BY +1		BY +2	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
Total	0.0	\$0	0.0	\$0	0.0	\$0

Analysis of Problem

A. Budget Request Summary

Over the past two years, increased application workload has impaired the California Debt Limit Allocation Committee's (CDLAC) ability to respond and provide timely service to applicants and the public. In 2015, CDLAC awarded over \$4.6 billion in allocation to applicants of its various programs for immediate use. This equated to 167 application requests (please refer to the Analyst Workload Analysis – Attachment 1). CDLAC constituents indicate that demand for tax-exempt bond financing will continue to increase and remain high over the next several years and into the future.

When Treasurer Chang assumed office last year he identified increased housing production as one of his administration's goal. As a result, CDLAC and its partner organization the Tax Credit Allocation Committee (TCAC) engaged in a stakeholder process which resulted in significant changes to the CDLAC regulations and the 4% tax credit regulations. The focus of these changes was to eliminate bureaucratic barriers to spur production of multifamily rental housing financed with bonds from CDLAC and 4% tax credits from TCAC. These changes were approved in October of 2015, but essentially went into effect in 2016. The regulation changes decrease the overall cost of projects financed with bond and 4% tax credit projects and increase the amount of tax credits for which projects are eligible. It is anticipated that these changes will cause further increase in demand for CDLAC's resources.

CDLAC requests the establishment of one (1) permanent Associate Governmental Program Analyst (AGPA), and a corresponding increase of \$132,000 in expenditure authority. This increase in resources will allow CDLAC to effectively and efficiently administer its programs.

No General Fund resources are necessary to establish this position. The fees CDLAC collects pursuant to Government Code § 8869.90 will cover the costs of the position.

B. Background/History

CDLAC was created in 1986 by Governor Proclamation in response to the 1986 Tax Reform Act, which imposed an annual limit on the amount of tax-exempt private activity bonds that may be issued in a calendar year (i.e. the annual state ceiling). CDLAC consists of a three-member body comprised of the State Treasurer as Chair, the Governor, and the State Controller.

CDLAC allocates the federal tax-exempt private activity volume ceiling for the state of California through a variety of programs including multifamily housing, single-family housing, tax-exempt facilities, and industrial development bonds. Private banks or investors purchase the bond authority and because the interest is tax exempt, they require a lower level of return and can accord loan resources to a project for below market interest rates which results in cost savings to the project. CDLAC constituents indicate that demand for tax-exempt bond financing will continue to increase and remain high over the next several years and into the future given the strength of the economy and the recent CDLAC and TCAC regulation changes that went into effect in 2016.

It is anticipated that demand within existing CDLAC programs will continue to result in an increased number of submissions to CDLAC. In order to ensure that the public benefits afforded by utilization of CDLAC's resources are maximized to the residents of California, it is critical that CDLAC is staffed appropriately.

Resource History (Dollars in thousands)

Program Budget	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Authorized Expenditures	\$1,122	\$1,266	\$1,386	\$1,355	\$1,444	\$1,493
Actual Expenditures	\$1,069	\$1,095	\$1,227	\$1,155	\$1,356	\$795*
Revenues	\$1,232	\$977	\$1,251	\$740	\$970	\$927*
Authorized Positions	9.0	9.0	9.0	9.0	9.0	9.0
Filled Positions	8.3	8.2	8.2	7.9	8.0	9.0
Vacancies	0.7	0.8	0.8	1.1	1.0	0.0

*Expenditure and revenue figures are actual amounts as of December 31, 2015.

Analysis of Problem

Workload History

See Attachment 1 for Workload Information

C. State Level Considerations

CDLAC facilitates the allocation of private activity bond volume cap received from the federal government throughout the state which allows borrowers and the projects they sponsor to benefit from below market tax-exempt financing. In order to ensure that the public benefits afforded by utilization of CDLAC's resources are maximized to the residents of California, CDLAC needs to be staffed appropriately.

D. Justification

CDLAC is a small organization with only five (5) analysts serving eight (8) program pools for the issuance of tax-exempt private activity bonds, these pools include the: Qualified Residential Rental Program, the Single-Family Housing Program, the Home Improvement and Rehabilitation Program, the Small Issue Industrial Development Bond Program, the Exempt Facility Program, the Student Loan Program, and the Extra Credit Teacher Home Purchase Program.

Increased demand for CDLAC's allocation resulted in more than a 250% increase in allocation usage from 2014 to 2015. In 2014 CDLAC allocated \$1.9 billion of bond authority and in 2015 CDLAC allocated \$4.6 billion of bond authority for immediate use. 2015 marks the first year since 2008 that CDLAC allocated bond authority in excess of what it received at the start of the program year, \$3.8 billion.

Given the trends evidenced in 2015 and the significant changes that were approved to the CDLAC and TCAC regulations in late 2015, CDLAC expects application submittals for existing programs to grow by at least 10% annually as the California economy improves and the 2015 CDLAC and TCAC regulation changes begin to impact project feasibility. CDLAC constituents indicate that demand for tax-exempt bond financing will continue to increase and remain high over the next several years and into the future. It should be noted that CDLAC received 34 applications for the first application round in 2016 with allocation requests totaling \$644 million. This represents 1/6 of CDLAC annual resources and a 100% increase in the number of applications reviewed when compared to the average number of applications reviewed each round from 2009-2014.

Given that current staffing levels are inadequate to meet existing workload and that demand for allocation is anticipated to increase this year, CDLAC requests the establishment of one (1) permanent Associate Governmental Program Analyst (AGPA), and a corresponding increase of \$132,000 in expenditure authority. The addition of this resource will ensure that CDLAC is able to complete all required tasks associated with the development, marketing, review, and processing of program applications and will support CDLAC's allocation of over \$4 billion in state authority.

E. Outcomes and Accountability

Outcomes

The additional AGPA position will allow CDLAC to meet the demand of the currently scheduled eight (8) allocation rounds in 2016.

Accountability

The Committee conducts its business in a public meeting forum. The Committee meets as soon as practicable after the beginning of each calendar year, and before any applications are considered, the Committee determines and announces the establishment of either an open application process or an allocation round process or both.

F. Analysis of All Feasible Alternatives

Alternative #1: Approve budget year request for the permanent establishment of one (1) AGPA, and corresponding expenditure authority of \$132,000. The projected fees collected pursuant to Government Code § 8869.90 will fund the costs of the additional analyst.

Analysis of Problem

Alternative #2 Borrow staff from within the State Treasurer's Office and other Boards, Authorities and Commissions under the State Treasurer's umbrella. This alternative places an undue hardship on the loaned staff, who must learn a new job under the stress of critical deadlines while performing their own critical assignments. This alternative deprives the CDLAC staff of having subject matter expertise of the projects that comes from the "hands on" review and direct communication with the applicants and project sponsors during the review process. Such expertise/knowledge is invaluable when reviewing reports of bond closings or responding to problems that may arise during application review and following the award of allocation.

Alternative #3: Hire temporary help, such as retired annuitants. It takes time not only to train a new person who is unfamiliar with CDLAC, but to have that person performing at an independent level. This alternative does not necessarily provide stability or continuity.

Alternative #4: Reduce or eliminate activities. All of the activities performed by CDLAC staff are critical and essential to meeting the goals and objectives and responsibilities of CDLAC. Cutting back on the number of available allocation rounds, user assistance, or marketing activities is detrimental to the program and the issuing community. Reducing the number of rounds may prevent or delay projects and/or programs from materializing. By not providing assistance to potential or active applicants, the quality of the applications will deteriorate, resulting in more work for the CDLAC staff during the evaluation process. In addition, applications may be rejected as incomplete, causing a hardship for applicants.

G. Implementation Plan

CDLAC will recruit and hire one (1) new AGPA in July of 2016.

H. Supplemental Information

N/A

I. Recommendation

Alternative 1 is recommended.

CDLAC Workload Analysis Projection
2014-2017

Attachment 1

Work Breakdown Structure		Unit of Measure	Annual Volume					Hours Per Unit 2015 & 2016	Hours Per Unit 2014, 2017-18	Hours Required					Person-Years Required				
			2014	2015	2016	2017	2018			2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Application/Compliance Reviews	Initial Application review for Award and Peer Review	Number	133	167	183	202	200	12	12	1,596	2,004	2,196	2,424	2,400	1.06	1.33	1.45	1.61	1.59
	Staff Report Preparation and Peer Review	Number	133	167	183	202	200	6	6	798	1,002	1,098	1,212	1,200	0.53	0.66	0.73	0.80	0.80
	Resolution Preparation and Peer Review	Number	133	167	183	202	200	6	6	798	1,002	1,098	1,212	1,200	0.53	0.66	0.73	0.80	0.80
	Issuance Reporting to IRS and Release of Deposits	Number	133	167	183	202	200	2	2	266	334	366	404	400	0.18	0.22	0.24	0.27	0.27
	Compliance Certification reviews	Number	2038	2171	2367	2541	2541	0.5	0.5	1,019	1,086	1,184	1,271	1,271	0.68	0.72	0.78	0.84	0.84
	Total - Application Reviews									4,477	5,428	5,942	6,523	6,471	2.97	3.60	3.94	4.32	4.29
Development of Program	Regulation Development/ OAL Package Prep	Annual	1	1	1	1	1	80	40	40	80	80	40	40	0.03	0.05	0.05	0.03	0.03
	Application / Attachment Development	Annual	1	1	1	1	1	40	20	20	40	40	20	20	0.01	0.03	0.03	0.01	0.01
	OAL prep and review	Annual	1	1	1	1	1	20	10	10	20	20	10	10	0.01	0.01	0.01	0.01	0.01
	Marketing/outreach	Staff	1	1	1	1	1	160	80	80	160	160	80	80	0.05	0.11	0.11	0.05	0.05
	Website Development	Annual	1	1	1	1	1	20	10	10	20	20	10	10	0.01	0.01	0.01	0.01	0.01
	Total - Development and Marketing									160	320	320	160	160	0.11	0.21	0.21	0.11	0.11
Requests for Approval/Ongoing Maint.	Owner or General Partner Change Approvals	Number	13	15	17	19	20	3	2	26	45	51	38	40	0.02	0.03	0.03	0.03	0.03
	Waiver Request Approvals	Number	26	31	34	38	40	2	1	26	62	68	38	40	0.02	0.04	0.05	0.03	0.03
	Approval Request for Changes to Project	Number	13	15	17	17	19	2	1	13	30	34	17	19	0.01	0.02	0.02	0.01	0.01
	Database Updates / Maintenance	Number	30	33	38	42	44	2	2	60	66	76	84	88	0.04	0.04	0.05	0.06	0.06
	Technical Assistance (Mainly Pre-Application Deadline)	Calls	6600	7260	9500	9300	9300	0.25	0.25	1,650	1,815	2,375	2,325	2,325	1.09	1.20	1.57	1.54	1.54
	Website Updates / List-Serve	meeting	6	6	6	6	6	3	3	18	18	18	18	18	0.01	0.01	0.01	0.01	0.01
Total - Request for Approval / Miscellaneous									1,793	2,036	2,622	2,520	2,530	1.19	1.35	1.74	1.67	1.68	
Development Workshops	Prepare Presentations and Handouts	Staff	1	2	1	1	1	40	40	40	80	40	40	40	0.03	0.05	0.03	0.03	0.03
	Rehearse Presentation / Dry Run	Staff	1	2	1	1	1	20	20	20	40	20	20	20	0.01	0.03	0.01	0.01	0.01
	Coordinate Travel Arrangements and Logistics	Workshop	3	8	3	2	2	1	1	3	8	3	2	2	0.00	0.01	0.00	0.00	0.00
	Travel To/From Workshop Location	Workshop	3	8	3	2	2	3	3	9	24	9	6	6	0.01	0.02	0.01	0.00	0.00
	Check Materials and Set-up Room	Workshop	3	8	3	2	2	1	1	3	8	3	2	2	0.00	0.01	0.00	0.00	0.00
	Conduct Workshop / Questions	Workshop	3	8	3	2	2	4	4	12	32	12	8	8	0.01	0.02	0.01	0.01	0.01
Total - Development Workshops									87	192	87	78	78	0.06	0.13	0.06	0.05	0.05	
Program Training	New Hire Initial Training	New Hire	1	1	2	1	1	120	100	100	120	240	100	100	0.07	0.08	0.16	0.07	0.07
	New Hire Off-Site Training	New Hire	1	1	2	1	1	30	24	24	30	60	24	24	0.02	0.02	0.04	0.02	0.02
	Training Back up staff/cross-training	New Hire	1	1	2	1	1	100	80	80	100	200	80	80	0.05	0.07	0.13	0.05	0.05
	Total - New Hire Training									204	250	500	204	204	0.14	0.17	0.33	0.14	0.14
Subtotal All Areas Above										6,721	8,226	9,471	9,485	9,443	4.45	5.45	6.27	6.28	6.26
Other @ 6% (includes Other Correspondence, e-Mail, and Telephone Activity)										403	494	568	569	567	0.27	0.33	0.38	0.38	0.38
Total SSA/AGPA hours / Positions Required										7,124	8,719	10,039	10,054	10,009	4.72	5.78	6.65	6.66	6.63
plus: Allowance for Vacant Positions (assumes 6% Vacancy)															0.28	0.35	0.40	0.40	0.40
Total SSA/AGPA Positions Required															5.00	6.12	7.05	7.06	7.03
Currently Proposed SSA/AGPA Position Added															5	5	6	6	6
SSA/AGPA position Surplus/(Deficiency)															(0.00)	(1.12)	(1.05)	(1.06)	(1.03)