

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

Fiscal Year 2016-17	Business Unit 2240	Department Housing and Community Development	Priority No. 4
Budget Request Name 2240-004-BCP-DP-2016-GB		Program 1665	Subprogram

Budget Request Description  
 Habitat For Humanity Fund

**Budget Request Summary**

The Department of Housing and Community Development (HCD) proposes a \$250,000 Budget Act appropriation for the Habitat for Humanity Fund (Fund), with authority for Department of Finance (Finance) to augment the appropriation, if needed, in order to align program expenditures with revenue collections associated with a voluntary tax check-off contribution. Additionally, HCD requests authority to streamline Fund distributions and reduce department costs by issuing one grant to Habitat for Humanity of California, which will provide grants to local affiliates.

Requires Legislation <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed Revenue and Taxation Code section 18900.24	
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. <input type="checkbox"/> FSR <input type="checkbox"/> 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 Mark Loden <i>Mark Loden</i>	Date 12/31/2015	Reviewed By Dave O'Toole <i>[Signature]</i>	Date 12/31/15
Department Director Susan Riggs <i>[Signature]</i>	Date 12/31/2015	Agency Secretary <i>[Signature]</i>	Date 1-6-15

**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 <i>[Signature]</i>	Date submitted to the Legislature 1/7/16
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## BCP Fiscal Detail Sheet

BCP Title: Habitat for Humanity Fund

DP Name: 2240-004-BCP-DP-2016-GB

### Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2*	BY+3*	BY+4*
Operating Expenses and Equipment						
54XX - Special Items of Expense	0	250	250	250	250	250
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>

### Fund Summary

Fund Source - Local Assistance						
8092 - Habitat for Humanity Fund	0	250	250	250	250	250
<b>Total Local Assistance Expenditures</b>	<b>\$0</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>

### Program Summary

Program Funding						
1665 - Financial Assistance Program	0	250	250	250	250	250
<b>Total All Programs</b>	<b>\$0</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>

## Analysis of Problem

### A. Budget Request Summary

**Summary of the Request.** The Department of Housing and Community Development (HCD) proposes a \$250,000 Budget Act appropriation for the Habitat for Humanity Fund (Fund), with authority for Department of Finance (Finance) to augment the appropriation, if needed, in order to align program expenditures with the revenue collections associated with a voluntary tax check-off contribution (see Attachment A). Additionally, HCD requests authority to streamline Fund distributions and reduce HCD's costs by issuing one grant to Habitat for Humanity of California, which will provide grants to local affiliates (see Attachment B).

**Business Problem.** The enacting legislation does not authorize the distribution of collections and would require laborious and expensive HCD efforts to award funds. HCD is required to award the collections to Habitat for Humanity affiliates through a competitive grant process. HCD grant making is a relatively intensive and costly method of awarding what is expected to be a small amount of annual collections (estimated between \$250,000 and \$300,000). HCD costs could reach 25 percent of the collected funds.

**Source of the Problem.** Chapter 354, Statutes of 2014 (AB 1765) authorized an individual to designate on their tax return that a specified amount in excess of their tax liability be transferred to the Fund (Revenue and Taxation Code sections 18900.20-18900.26); however, it did not include an appropriation and implemented an inefficient method of awarding funds

**Proposed Solution.** HCD proposes a \$250,000 Budget Act appropriation for the Fund with authority for Finance to augment the appropriation, if needed, and authority to disburse collections to Habitat for Humanity of California a California nonprofit public benefit corporation representing and supporting California Habitat for Humanity affiliates. Habitat for Humanity of California would be responsible for awarding grants to local affiliates.

### B. Background/History

Current law provides for tax-deductible voluntary tax check-off contributions to raise funds to support designated public policies. Currently, there are 18 funds to which taxpayers can contribute. The Fund was created to provide grants to Habitat for Humanity programs through voluntary contributions by taxpayers. The Franchise Tax Board is authorized to collect these funds until January 1, 2021, with the first collection occurring during the 2014 tax year. Collections through June 2015 have yielded \$167,000. However, HCD does not have budget authority to award these funds.

HCD administers a number of loan and grant programs to support affordable housing, including programs that serve a similar constituency as the Fund. The California Self-Help Housing Program (Self-Help Program) assists low- and moderate-income families to build their homes with their own labor. As one of HCD's smaller housing assistance programs, the Self-Help Program was allocated \$20 million of Proposition 46 and Proposition 1C funding. Key features of the Self-Help Program include:

- Grants are made to sponsor organizations that provide technical assistance to families participating in self-help housing.
- Eligible activities include training and supervision of low- and moderate-income self-help homebuilders.
- Eligible applicants are local government agencies and non-profit housing corporations.
- Applicants are notified through Notices of Funding Availability (NOFAs) as funds become available and are accepted on an over-the-counter basis. Applications are evaluated for feasibility and, if determined to meet the program standards, are awarded in the order they are received.

HCD estimates that the Habitat for Humanity Fund will generate closer to \$300,000 per year for five years, for an estimated total of \$1.5 million. At this relatively low-level of funding, compared to the Self-

## Analysis of Problem

Help Program, HCD believes it would not be cost-effective to administer this program through competitive NOFAs.

Habitat for Humanity of California is a statewide coalition of 48 independent affiliates that serve communities across California. The coalition advocates for affordable homeownership opportunities for families with limited incomes and assists renters to become homeowners. Habitat for Humanity of California accomplishes its goals by providing tools and resources to affiliates that serve specific geographical areas.

### C. State Level Considerations

HCD's mission is to expand the amount of safe and affordable housing for all Californians. HCD recognizes a growing need for affordable housing to mitigate the shortage of affordable units for low-income households. To the extent taxpayers opt to divert a portion of their tax refunds to Habitat for Humanity programs, low-income Californians will benefit from the additional resources to build affordable homes.

### D. Justification

***Streamline disbursements by allocating collections directly to Habitat for Humanity of California.*** Existing law requires HCD to release a NOFA, accept applications, prioritize applicants, and execute individual contracts. This is an expensive method for the amount of money anticipated and HCD estimates it would need approximately 25 percent of collections for HCD administration. HCD proposes trailer bill language that would authorize HCD to make one award to Habitat for Humanity of California, which will make awards to the affiliates. The proposed amendment will both reduce HCD administrative costs and allow awards to be made quickly so that the program objectives of increasing affordable housing are more effectively achieved.

### E. Outcomes and Accountability

HCD proposes the following amendments in the trailer bill language in order to ensure appropriate oversight and reporting of the awarded funds:

- Within 60 days, Habitat for Humanity of California shall submit a plan to HCD for the use and distribution of all funds received.
- Habitat for Humanity of California shall not use more than five percent of the moneys received for administrative expenses.
- A Habitat for Humanity affiliate shall not use the funds received for administrative expenses or for any purposes outside of California.
- HCD shall maintain proper oversight of disbursements by requiring submittal of an annual audit.

Adopting the proposed solution will ensure that funds are used to achieve the goals envisioned in the statute.

### F. Analysis of All Feasible Alternatives

**Alternative 1.** Provide a \$250,000 Budget Act appropriation from the Fund with provisional language to allow Finance to augment the appropriation if contributions exceed this amount. Also, adopt trailer bill language to streamline the award process by allowing for a single award to Habitat for Humanity of California.

**Pro:**

- Provides the Legislature with discretion to determine the level of annual funding for the program.

## Analysis of Problem

- Grants flexibility by allowing Finance to augment the appropriation if contributions are higher than estimated, with notification in writing to the Legislature.
- Streamlines the awards to reduce HCD administrative costs and allow HCD to expedite the award of funds.

### Con:

- Since revenue estimates cannot be made until after April tax receipts are collected, sufficient information may not be available during the budget process to determine if the budget authority is sufficiently high to award all annual contributions.
- Streamlining the awards process requires a change in recently-enacted law.

**Alternative 2.** Provide a continuous appropriation for the Fund to allow HCD to be able to award the contributed funds timely, based on allocation information received after budget enactment. Additionally, streamline the awards by providing for a single award to Habitat for Humanity of California for distribution to affiliates, rather than requiring HCD to competitively award grants directly to the affiliates.

### Pro:

- Allows HCD to reduce administrative costs and provides additional funding for projects to meet the housing needs of California residents.
- Allows HCD to fully award contributed funds through a continuous appropriation.

### Con:

- Requires a change in a recently-enacted law.

## G. Implementation Plan

HCD would award the funds as quickly as possible upon the effective date of Alternative 1, if enacted.

## H. Supplemental Information

The following attachments are included this BCP package:

- Attachment A: Proposed Budget Bill Language
- Attachment B: Proposed Trailer Bill Language

## I. Recommendation

Approve Alternative 1 to provide a \$250,000 Budget Act appropriation from the Fund with authority for Finance to augment the appropriation, if needed, and trailer bill language to streamline the award process by allowing for a single award to Habitat for Humanity of California.

**Budget Bill Language**

2240-101-8092—For local assistance, Department of  
Housing and Community Development, payable from  
the Habitat for Humanity Fund.....250,000

Schedule:

(1) 1665-Financial Assistance Program..... 250,000

Provisions:

1. Funds appropriated in this item shall be used pursuant Article 22 (commencing with Section 18900.20) of Chapter 3 of Part 10.2 of Division 2 of the Revenue and Taxation Code.
2. The Director of Finance may authorize an increase in this appropriation, up to the total amount of proceeds available in the Habitat for Humanity Fund. An approval of an augmentation may be authorized not sooner than 30 days after notification is provided in writing to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees in each house of the Legislature that consider appropriations.

**Streamline Habitat for Humanity Awards – Proposed Trailer Bill**

SECTION 1. Revenue and Taxation Code section 18900.24 is amended to read:

18900.24. All money transferred to the Habitat for Humanity Fund, upon appropriation by the Legislature, shall be allocated as follows:

(a) To the Franchise Tax Board, the Controller, and the Department of Housing and Community Development for reimbursement of all costs incurred by the Franchise Tax Board, the Controller, and the Department of Housing and Community Development in connection with their duties under this article.

~~(b) The Department of Housing and Community Development for distribution of grants to Habitat for Humanity affiliates in California that are in active status, as described on the Business Search page of the Secretary of State's Internet Web site, and that are exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Department of Housing and Community Development shall award grants through a competitive, project-specific grant process and be responsible for overseeing that grant program. A Habitat for Humanity affiliate shall not use a grant award for administrative expenses or for any purposes outside of California.~~

(b)(1) To the Department of Housing and Community Development for disbursement to Habitat for Humanity of California, Inc., a California nonprofit public benefit corporation representing and supporting California Habitat for Humanity affiliates as a state support organization.

(2) Habitat for Humanity of California, Inc., shall submit, within 60 days of receiving a disbursement, to the Department of Housing and Community Development a plan for the use and distribution of funds received under this article to Habitat for Humanity affiliates in California that are in active status, as described on the Business Search page of the Secretary of State's Internet Web site, and that are exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code.

(c) Habitat for Humanity of California, Inc., shall not use more than five percent of the moneys received pursuant to this article for administrative expenses.

(d) A Habitat for Humanity affiliate shall not use the moneys received pursuant to this article for administrative expenses or for any purposes outside of California.

(e) Habitat for Humanity of California, Inc., shall submit an annual audit of the program to the Department of Housing and Community within 60 days of completion of the audit.

SECTION 2. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to make the necessary statutory changes to implement the Budget Act of 2016 at the earliest possible time, it is necessary that this act take effect immediately.