

**STATE OF CALIFORNIA**  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 08/16)

|   |                       |  |                   |
|---|-----------------------|--|-------------------|
| Fiscal Year<br>2017/18                      | Business Unit<br>0968 | Department<br>CA Tax Credit Allocation Committee   | Priority No.<br>1 |
| Budget Request Name<br>0968-001-BCP-2017-GB |                       | Program<br>0840-CA Tax Credit Allocation Committee | Subprogram        |

Budget Request Description  
 Compliance Section Support Staff Augmentation

Budget Request Summary

The California Tax Credit Allocation Committee (TCAC) requests permanent funding of \$107,000 from its special fund for one Office Technician for compliance monitoring related workload.

This request does not impact the General Fund. California Health and Safety Code, Section 50199.9(a), allows TCAC to establish and collect fees for the purpose of paying TCAC's costs of monitoring low-income housing tax-credit projects for compliance with federal and state law.

|   |  |      |
|---|--|------|
| Requires Legislation<br><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 No   | Code Section(s) to be Added/Amended/Repealed |      |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<br><i>If yes, departmental Chief Information Officer must sign.</i> | Department CIO                               | Date |

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), and the approval date.

Project No.                      Project Approval Document:                      Approval 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 | Reviewed By      | Date |
| Department Director | Date | Agency Secretary | Date |

**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 | Original Signed By:<br>Carla Castañeda | Date submitted to the Legislature<br>1/10/2017 |
|------|--|--|

# BCP Fiscal Detail Sheet

BCP Title: Compliance Section Support Staff

BR Name: 0968-001-BCP-2017-GB

## Budget Request Summary

|  | FY17       |              |             |             |             |             |
|--|------------|--------------|-------------|-------------|-------------|-------------|
|  | CY         | BY           | BY+1        | BY+2        | BY+3        | BY+4        |
| <b>Personal Services</b>   |            |              |             |             |             |             |
| Positions - Permanent  | 0.0        | 1.0          | 1.0         | 1.0         | 1.0         | 1.0         |
| <b>Total Positions</b>   | <b>0.0</b> | <b>1.0</b>   | <b>1.0</b>  | <b>1.0</b>  | <b>1.0</b>  | <b>1.0</b>  |
| <b>Salaries and Wages</b>  |            |              |             |             |             |             |
| Earnings - Permanent   | 0          | 38           | 38          | 38          | 38          | 38          |
| <b>Total Salaries and Wages</b>                                    | <b>\$0</b> | <b>\$38</b>  | <b>\$38</b> | <b>\$38</b> | <b>\$38</b> | <b>\$38</b> |
| <b>Total Staff Benefits</b>  | 0          | 27           | 27          | 27          | 27          | 27          |
| <b>Total Personal Services</b>                                     | <b>\$0</b> | <b>\$65</b>  | <b>\$65</b> | <b>\$65</b> | <b>\$65</b> | <b>\$65</b> |
| <b>Operating Expenses and Equipment</b>                            |            |              |             |             |             |             |
| 5301 - General Expense   | 0          | 4            | 4           | 4           | 4           | 4           |
| 5302 - Printing  | 0          | 1            | 1           | 1           | 1           | 1           |
| 5304 - Communications  | 0          | 3            | 3           | 3           | 3           | 3           |
| 5306 - Postage   | 0          | 1            | 1           | 1           | 1           | 1           |
| 5320 - Travel: In-State  | 0          | 1            | 1           | 1           | 1           | 1           |
| 5322 - Training  | 0          | 1            | 1           | 1           | 1           | 1           |
| 5324 - Facilities Operation  | 0          | 4            | 4           | 4           | 4           | 4           |
| 5326 - Utilities   | 0          | 1            | 1           | 1           | 1           | 1           |
| 5340 - Consulting and Professional Services -<br>Interdepartmental | 0          | 15           | 15          | 15          | 15          | 15          |
| 5346 - Information Technology                                      | 0          | 1            | 1           | 1           | 1           | 1           |
| 5368 - Non-Capital Asset Purchases -<br>Equipment                  | 0          | 10           | 0           | 0           | 0           | 0           |
| <b>Total Operating Expenses and Equipment</b>                      | <b>\$0</b> | <b>\$42</b>  | <b>\$32</b> | <b>\$32</b> | <b>\$32</b> | <b>\$32</b> |
| <b>Total Budget Request</b>  | <b>\$0</b> | <b>\$107</b> | <b>\$97</b> | <b>\$97</b> | <b>\$97</b> | <b>\$97</b> |
| <b>Fund Summary</b>  |            |              |             |             |             |             |
| Fund Source - State Operations                                     |            |              |             |             |             |             |
| Occupancy Compliance Monitoring                                    |            |              |             |             |             |             |
| 0448 - Account, Tax Credit Allocation Fee<br>Account               | 0          | 107          | 97          | 97          | 97          | 97          |
| <b>Total State Operations Expenditures</b>                         | <b>\$0</b> | <b>\$107</b> | <b>\$97</b> | <b>\$97</b> | <b>\$97</b> | <b>\$97</b> |
| <b>Total All Funds</b>   | <b>\$0</b> | <b>\$107</b> | <b>\$97</b> | <b>\$97</b> | <b>\$97</b> | <b>\$97</b> |

**Program Summary**

Program Funding

0840 - California Tax Credit Allocation  
Committee

**Total All Programs**

|            |              |             |             |             |             |
|------------|--------------|-------------|-------------|-------------|-------------|
| 0          | 107          | 97          | 97          | 97          | 97          |
| <b>\$0</b> | <b>\$107</b> | <b>\$97</b> | <b>\$97</b> | <b>\$97</b> | <b>\$97</b> |





## Analysis of Problem

### A. Budget Request Summary

The Committee requests \$107,000 from the Occupancy Compliance Monitoring Account fund for one permanent Office Technician position to perform support staff duties related to IRS Code compliance monitoring services. The Committee's support staff resources are insufficient to carry out the duties related to monitoring the Committee's portfolio of low-income housing tax-credit projects for compliance with federal and state law.

### B. Background/History

The Committee administers both federal and state low-income housing tax-credit programs. Both programs encourage private investment in rental housing development for low and very low income families and individuals.

Congress created the federal Low Income Housing Tax Credit (LIHTC) Program in the Tax Reform Act of 1986. The LIHTC provisions help private developers/owners create and preserve affordable housing and raises project equity through the sale of tax benefits to investors. Congress made the LIHTC Program permanent with the passage of the Omnibus Budget Reconciliation Act of 1993. The LIHTC Program has become the primary funding source for developing affordable rental housing throughout the country.

California's state housing tax-credit program authorized by Chapter 1138, Statutes of 1987, supplements the federal program, and provides additional investor tax benefits to further increase the supply of affordable housing.

The Committee has helped fund the construction of over 286,510 total units since its inception, including more than 18,500 in 2015. In California, construction of affordable housing has continued to be in high demand. California experienced some of the highest foreclosure rates in the nation, resulting in an increase in affordable housing needs for thousands of families and individuals. With over two million California households at risk of spending excessive proportions of their income on housing, the State has encouraged construction of more affordable home construction.

California is the largest user nationwide of the LIHTC Program. Developers rely on federal, state, and local funding sources to build affordable housing as evidenced by the receipt of over 300 applications annually. In 2005, The Committee had a staff of 25 for both sections (Compliance Monitoring and Project Development) supported by two OTs for clerical support. In 2016-17, the Committee is comprised of 47 staff with only two OTs to support these positions.

**Resource History**  
(Dollars in thousands)

| Program Budget          | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|-------------------------|---------|---------|---------|---------|---------|
| Authorized Expenditures | \$3,274 | \$3,621 | \$3,845 | \$4,212 | \$4,699 |
| Actual Expenditures     | \$2,795 | \$3,508 | \$3,782 | \$3,862 | \$4,613 |
| Revenues                | \$5,287 | \$4,888 | \$5,448 | \$5,600 | \$6,820 |
| Authorized Positions    | 24.0    | 26.0    | 26.0    | 26.0    | 40.0    |
| Filled Positions        | 21.8    | 24.3    | 23.6    | 23.6    | 38.3    |
| Vacancies               | 2.2     | 1.7     | 2.4     | 2.4     | 1.7     |

Since 2005, the number of projects that the Committee must monitor for compliance with federal and state law has grown from 1,700 to over 3,500. This growth in the Committee's portfolio of housing projects has more than doubled the amount of workload for compliance monitoring support staff, including increases in mailing, scanning, electronic filing, report collection, data logging, phone calls, and various other clerical duties (see Attachment A for Workload History Information).



## Analysis of Problem

### C. State Level Considerations

The federal and state income tax credits for low-income housing developers are provided to encourage the private sector to provide project equity capital used to acquire, rehabilitate, and construct low-income rental housing. From 1987 through 2016, the Committee allocated more than \$32.5 billion of federal and state tax credits.

A 2002 Little Hoover Commission report stated that: *“Among the most basic of human needs is a place to call home. And nowhere in the United States is this need harder to satisfy than in California. The lack of affordable housing is so severe that it threatens the health and welfare of thousands of Californians, as well as the state’s long-term prosperity.”* The report goes on: *“The impact of the State’s housing shortage is felt most profoundly by low-income Californians who struggle to keep a roof over their heads. Among low-income renters, about two-thirds pay more than half of their income for housing and 91 percent pay more than the recommended 30 percent.”* The LIHTC Program helps to meet low-income renters’ housing needs in California.

Housing California’s low-income workforce and disabled populations enhances the State’s economic strength. Assuring the long-term viability of California’s approximately 3,500 low-income tax-credit properties over their 55-year compliance term benefits the lives of tens of thousands of Californians.

### D. Justification

The Committee’s property portfolio currently contains over 3,500 multi-family rental properties. Of these, approximately 2,500 properties (over 70 percent) have received an allocation of tax credits within the last 15 years. The Committee adds about 220-240 projects per year.

On average, the Compliance Section receives over 3,000 phone calls, emails and correspondence from numerous users of the program. In addition, many out-of-state tax-credit allocating agencies contact the Committee to request information on the compliance status of California tax-credit property owners in order for those state agencies to perform their due diligence reviews of applications for tax credits in their respective states. There is also a large volume of Public Records Act requests that requires gathering data manually from project files, researching emails, and reviewing other correspondence. The Committee also collects over 17,000 reports annually from projects.

The clerical workload has increased over 75 percent in the last 10 years. The Committee’s professional staff can no longer assist with support staff duties and adequately perform their own duties.

### E. Outcomes and Accountability

The Committee will create a database report to track support staff workload (currently the Committee has only reports that track professional staff workload.) The Committee will design reports to track progress in each major office duty noted in the projected workload metrics attachment of this BCP. Management will review these monthly reports to monitor support staff workload.

### F. Analysis of All Feasible Alternatives

**Alternative #1:** Continue current practice of analysts performing support staff duties as needed. This causes analysts to fall behind in their other duties. This practice could result in failure to complete the federally mandated annual audits of one-third of the Committee’s housing portfolio.

The IRS informed the Committee that it cannot provide any waiver of the compliance monitoring auditing requirements. Failure could put at risk California’s ability to operate the LIHTC Program.

**Alternative #2:** Authorize one permanent full-time OT position beginning in 2017-18. This will support the Compliance Section staff that currently address the additional clerical workload.

**Alternative #3:** Contract with a temporary employment agency for support staff resources. This alternative is not appropriate for ongoing workload.

## Analysis of Problem

### **G. Implementation Plan**

The Committee will recruit and hire an Office Technician to begin work on July 1, 2017.

### **H. Supplemental Information**

N/A

### **I. Recommendation**

Alternative #2

This alternative would provide the needed resources to address general office duties workload and better enable Compliance Monitoring Staff to perform their primary duties.

# Workload Measure CTCAC

|   | <b>2005</b> | <b>2010</b> | <b>2015</b> | <b>2016</b> |
|---|-------------|-------------|-------------|-------------|
| Total Number of Compliance Staff  | 9           | 16          | 25          | 29          |
| Total Number of Projects in the Portfolio   | 1742        | 2250        | 3265        | 3557        |
| Number of Projects Inspected that Year  | 528         | 796         | 1132        | 1278        |
| <b>Filing (annual)</b>  |             |             |             |             |
| Manual filing of audit documents into hardcopy project file (sorted and seperated into 4 categories)                | 2112        | 3184        | 4528        | --          |
| Prepping documents for scanning into virtual files (sorted and seperated into 10 categories) - completed by Analyst | --          | --          | --          | 12780       |
| Scanning documents into virtual files (Datacap)   | --          | --          | --          | 12780       |
| Entering electronic documents into virtual files  | --          | --          | --          | 2400        |
| <b>Workshop</b>   | <b>3</b>    | <b>10</b>   | <b>14</b>   | <b>17</b>   |
| Process Workshop Registration   | 200         | 900         | 1350        | 1650        |
| Enter Registration information into tracking spreadsheet  | 200         | 900         | 1350        | 1650        |
| Answer phone calls related to workshop registration   | 100         | 450         | 675         | 825         |
| Mail/Email confirmations to registered attendees  | 200         | 900         | 1350        | 1650        |
| Prepare registration list   | 6           | 20          | 28          | 34          |
| Print certificates  | 200         | 900         | 1350        | 1650        |
| <b>Public Records Act Requests (annual)</b>   | <b>60</b>   | <b>204</b>  | <b>240</b>  | <b>264</b>  |
| Locate required information in hard copy files  | 60          | 204         | 240         | --          |
| Locate required information in virtual files  | --          | --          | --          | 264         |
| <b>Annual Ownership Certification (annual)</b>  | <b>1742</b> | <b>2250</b> | <b>3265</b> | <b>3557</b> |
| Research and pull documentation to assist Analyst in charge of the AOC process (50%)                                | --          | --          | --          | 1779        |
| <b>Annual Operating Expense (annual)</b>  | <b>1742</b> | <b>2250</b> | <b>3265</b> | <b>3557</b> |
| Research and pull documentation to assist Analyst in charge of the AOE process (50%)                                | --          | --          | --          | 1779        |



## Workload Measure CTCAC

|   |     |     |      |      |
|---|-----|-----|------|------|
| Scan hard copy AOE reports received (10%)   | --  | --  | --   | 356  |
| <b>Tenant Phone Call Assistance</b>   | 300 | 700 | 1000 | 1200 |
| Research and pull assorted documentation to assist manager in charge of Tenant Complaints   | --  | --  | 1000 | 1200 |
| Prepare and scan tenant correspondence for Filenet  | --  | --  | --   | 1200 |
| <b>Submit Letters to Sister Housing Agencies</b>  | 226 | 415 | 601  | 500  |
| Collect and mail copies of the noncompliance letter for jointly funded projects with our sister housing Agencies - CalHFA, HCD, CDLAC, and RD | 226 | 415 | 601  | 500  |
| <b>Miscellaneous Tasks</b>  |     |     |      |      |
| Fill in/ Cover Front Desk for absences, breaks, lunches   | --  | --  | --   | --   |
| Assisting in the preparation of letters/emails/discourse for general compliance questions for Compliance Analysts                             | --  | --  | --   | --   |
| Arrange reservations for STO Conference rooms   | --  | --  | --   | --   |
| Scanning CUAC approval and annual update letters  | --  | --  | --   | --   |

-- indicates years where the tasks did not apply or were not part of the Compliance Section's Duties

**Fiscal Summary**  
(Dollars in thousands)

|  |   |            |               |                       |           |               |
|--|---|------------|---------------|-----------------------|-----------|---------------|
| BCP No.<br>1   | Proposal Title<br>Compliance Section Support Staff Augmentation |            |               | Program<br>0840-CTCAC |           |               |
| <b>Personal Services</b>   | <b>Positions</b>  |            |               | <b>Dollars</b>        |           |               |
|  | <b>CY</b>   | <b>BY</b>  | <b>BY + 1</b> | <b>CY</b>             | <b>BY</b> | <b>BY + 1</b> |
| Total Salaries and Wages <sup>1</sup>                              |   |            |               |                       | \$38      | \$38          |
| Total Staff Benefits <sup>2</sup>                                  |   |            |               |                       | 27        | 27            |
| <b>Total Personal Services</b>                                     | 0.0   | 0.0        | 0.0           | \$0                   | \$65      | \$65          |
| <b>Operating Expenses and Equipment</b>                            |   |            |               |                       |           |               |
| General Expense  |   |            |               |                       | 4         | 4             |
| Printing   |   |            |               |                       | 1         | 1             |
| Communications   |   |            |               |                       | 3         | 3             |
| Postage  |   |            |               |                       | 1         | 1             |
| Travel-In State  |   |            |               |                       | 1         | 1             |
| Travel-Out of State  |   |            |               |                       |           |               |
| Training   |   |            |               |                       | 1         | 1             |
| Facilities Operations  |   |            |               |                       | 4         | 4             |
| Utilities  |   |            |               |                       | 1         | 1             |
| Consulting & Professional Services: Interdepartmental <sup>3</sup> |   |            |               |                       | 15        | 15            |
| Consulting & Professional Services: External <sup>3</sup>          |   |            |               |                       |           |               |
| Data Center Services   |   |            |               |                       |           |               |
| Information Technology   |   |            |               |                       | 1         | 1             |
| Equipment <sup>3</sup>   |   |            |               |                       | 10        |               |
| Other/Special Items of Expense: <sup>4</sup>                       |   |            |               |                       |           |               |
|  |   |            |               |                       |           |               |
|  |   |            |               |                       |           |               |
| <b>Total Operating Expenses and Equipment</b>                      |   |            |               | \$0                   | \$42      | \$32          |
| <b>Total State Operations Expenditures</b>                         |   |            |               | \$0                   | \$107     | \$97          |
| <b>Fund Source</b>   | <b>Item Number</b>  |            |               |                       |           |               |
|  | <b>Org</b>  | <b>Ref</b> | <b>Fund</b>   |                       |           |               |
| General Fund   |   |            |               |                       |           |               |
| Special Funds <sup>5</sup>   | 0968  | 001        | 0448          |                       | \$107     | \$97          |
| Federal Funds  |   |            |               |                       |           |               |
| Other Funds (Specify)  |   |            |               |                       |           |               |
| Reimbursements   |   |            |               |                       |           |               |
| <b>Total Local Assistance Expenditures</b>                         |   |            |               | \$0                   | \$0       | \$0           |
| <b>Fund Source</b>   | <b>Item Number</b>  |            |               |                       |           |               |
|  | <b>Org</b>  | <b>Ref</b> | <b>Fund</b>   |                       |           |               |
| General Fund   |   |            |               |                       |           |               |
| Special Funds <sup>5</sup>   |   |            |               |                       |           |               |
| Federal Funds  |   |            |               |                       |           |               |
| Other Funds (Specify)  |   |            |               |                       |           |               |
| Reimbursements   |   |            |               |                       |           |               |
| <b>Grand Total, State Operations and Local Assistance</b>          |   |            |               | \$0                   | \$107     | \$97          |

<sup>1</sup> Itemize positions by classification on the Personal Services Detail worksheet.

<sup>2</sup> Provide benefit detail on the Personal Services Detail worksheet.

<sup>3</sup> Provide list on the Supplemental Information worksheet.

<sup>4</sup> Other/Special Items of Expense must be listed individually. Refer to the Uniform Codes Manual for a list of standard titles.

<sup>5</sup> Attach a Fund Condition Statement that reflects special fund or bond fund expenditures (or revenue) as proposed.





## Supplemental Information

(Dollars in thousands)

|              |   |
|--------------|---|
| BCP No.<br>1 | Proposal Title<br>Compliance Section Support Staff Augmentation |
|--------------|---|

| Equipment                      | CY  | BY   | BY +1 |
|--------------------------------|-----|------|-------|
| Personal Computer and Software |     | 3    |       |
| Office Furniture               |     | 7    |       |
| <b>Total</b>                   | \$0 | \$10 | \$0   |

| Consulting & Professional Services               |     |      |      |
|--|-----|------|------|
| State Treasurer's Office Administration Contract |     | 15   | 15   |
| <b>Total</b>                                     | \$0 | \$15 | \$15 |

| Facility/Capital Costs |     |     |     |
|------------------------|-----|-----|-----|
|                        |     |     |     |
| <b>Total</b>           | \$0 | \$0 | \$0 |

**One-Time/Limited-Term Costs**      Yes       No

| Description  | BY        |         | BY +1     |         | BY +2     |         |
|--------------|-----------|---------|-----------|---------|-----------|---------|
|              | Positions | Dollars | Positions | Dollars | Positions | Dollars |
|              |           |         |           |         |           |         |
|              |           |         |           |         |           |         |
|              |           |         |           |         |           |         |
| <b>Total</b> | 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 |
|              |           |         |           |         |           |         |
|              |           |         |           |         |           |         |
|              |           |         |           |         |           |         |
| <b>Total</b> | 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 |
|              |           |         |           |         |           |         |
|              |           |         |           |         |           |         |
|              |           |         |           |         |           |         |
| <b>Total</b> | 0.0       | \$0     | 0.0       | \$0     | 0.0       | \$0     |