Established in 1991, UCC serves as the representative voice for state legislative advocacy for high-population counties in California. Initially composed of seven counties, the association has grown to 14 today. Just over 80 percent of the state's population reside in UCC counties. Consequently, urban counties carry out critical programs and services to the state's most vulnerable populations. For more information, including details on our Board of Directors, please visit our website.

April 26, 2024

April Revenues Won't Save State from Deficit

Higher than expected tax refund volume has weakened a mildly promising revenue outlook, according to Jason Sisney, the Speaker's Chief Fiscal Consultant. As of this writing, the Franchise Tax Board is reporting that the state's net personal income tax (PIT) collections are barely on track to meet the Administration's April monthly estimate, while net corporation tax collections continue to be several hundred million dollars below the month's estimate. Sisney indicates that this data collectively suggest that April revenues may come in several hundred million dollars below monthly estimates.

The Administration will update its revenue forecast when it releases the May Revision to the Governor's 2024-25 budget on or before May 14.

Assembly Committee Musical Chairs

Assembly Speaker Robert Rivas has made some committee changes after these long two weeks of intense committee hearings. Assembly Member Gregg Hart will replace Assembly Member Damon Connolly on the Assembly Utilities and Energy Committee. Assembly Member Greg Wallis will replace Assembly Member Bill Essayli on the Assembly Budget Committee as well as the Assembly Budget subcommittee on education. Assembly Member Essayli moves to the Assembly Judiciary Committee, replacing Assembly Member Marie Waldron.

Speaker Rivas did not give a reason for his decision to move members around, but media coverage has suggested that some tense exchanges in committee hearings may have led to the changes.

First-House Bill Deadlines Loom

As we near the end of April, the Legislature faces two major legislative deadlines for bills introduced in 2024: today is the last day for bills with a fiscal impact to clear policy committees in the first house. Next Friday, May 3 is the deadline for non-fiscal bills to move out of policy committees. Non-fiscal bills move straight to the floor for consideration by the full body in the house of origin, while fiscal bills must clear the relevant Appropriations Committee. Stay tuned for all the news on the fiscal hearings; both houses announce which bills will be sprung from the Suspense File by Friday, May 17.

In the meantime, we highlight several high-profile or otherwise consequential bills at making their way through the legislative process:

- **AB 2489 (Ward) and AB 2557 (Ortega): Contracting Out**

This week, the Assembly Judiciary Committee heard both AB 2489 (Ward) and AB 2557 (Ortega), two measures that would significantly limit local agencies' ability to contract for services. While the committee approved both measures with amendments, the two bills now amend the same code section and work in coordination with each other. AB 2489 – the measure that would require that contractors' employees meet the same minimum qualifications that the relevant collective bargaining unit would – also took amendments to provide a narrow definition of "emergency;" specifically, "emergency" means a situation that calls for immediate action to respond to the threat of serious harm or mass casualties including conditions of natural disaster or conditions posing extreme peril to the safety of persons in the territorial limits of the public agency. AB 2557 – the measure that would require contractors to prepare and submit performance reports every 90 days, in addition to a performance audit conducted by an independent auditor – was amended to remove the ability of the relevant employee representative organization to deem a contractor "underperforming" and to determine that a contractor should not be paid for work already performed. While these amendments are a marginal improvement, the crux of the measures – administrative burdens on both local agencies and contractors that serve to deter contractors from partnering with local agencies – remain troubling.

Both AB 2489 and AB 2557 will next be heard in the Assembly Appropriations Committee.

- **AB 2200 (Kalra) – Single Payer**

On April 23, the Assembly Health Committee heard Assembly Member Ash Kalra's latest iteration of his efforts to implement a universal, single-payer health care coverage, AB 2200. Although the health committee set aside one hour for a special order to hear the bill, the conversation went well over the time limit; ultimately, the Committee approved the measure on a 9 to 4 vote, with Republican members voting no and Assembly Members Aguiar-Curry, Rodirguez and Weber abstaining. Dr. Weber identified a list of implementation concerns and continues to argue that a single-payer model should be implemented nationally rather than at the state level.

AB 2200 would create the policy framework for implementing single payer, creating the California Guaranteed Health Care for All Act or CalCare. The measure includes intent language to pass follow-up legislation to address how CalCare would be funded. However, with the state facing a considerable budget deficit this year, it may be even more difficult for members to consider approving the policy bill. In a February press conference, Speaker Rivas offered his assessment of the bill: "[A] good idea, but it's a tough, tough sell." Prior fiscal analyses have estimated the cost of single-payer coverage to be well over $300 billion.

Assembly Member Kalra said that the policy framework contained in AB 2200 must be passed before the state determines a funding plan. He asserted that California must first secure a federal waiver to operate the system before it can determine how much of the cost of CalCare the federal government will cover. The Assembly Appropriations Committee will hear the measure next.

▶ SB 1432 (Caballero) – Health Facilities Seismic Standards

The Senate Health Committee members engaged in a 90-minute discussion this week on Senator Anna Caballero's SB 1432, which would make changes to state law related to hospital seismic standards.

The measure would extend the January 1, 2030, deadline by which hospitals are required to be capable of continued operations following a major earthquake, until January 1, 2038. The bill also would give rural hospitals and critical access hospitals an "abeyance" from this same seismic compliance deadline until such time that adequate funding is made available to these hospitals. The bill would require hospitals to submit a seismic compliance plan by January 1, 2027, which includes, among other elements, the cost of compliance using criteria developed by the Department of Health Access and Information (HCAI) and would require HCAI to provide a report to the Legislature with an analysis of each hospital's estimated cost of compliance and an estimate of the total statewide cost.

In response to concerns from the Senate Health Committee Chair, the author agreed to amendments that do the following:

- Delete the eight-year extension for all hospitals, and instead: *require* HCAI to grant a 3-year extension to January 2, 2033, *if* the hospital submits a seismic compliance plan and their NPC evaluation report; and *permit* HCAI to grant an additional 5 years (up to a maximum of January 1, 2038) if a hospital applies and can make the case based on complexity, financial impact, or potential loss of health care services;

- Require, as a condition of getting approval of an extension beyond 2033, the hospital to submit building plans and an extension schedule timeline, and to have two major milestones relating to the seismic compliance plan that will be used as the basis for determining whether the hospital is making adequate progress;
- Provide public notice and an opportunity for public comment prior to HCAI granting any approval beyond January 1, 2033. A hospital's extension request would be posted, alongside their seismic compliance plan, which would trigger a 45-day comment period before HCAI could take action on the extension request;
- Delete language providing for fines of up to $1,000 per day for hospitals that failed to submit a seismic compliance plan pursuant to this bill. This fine is no longer necessary because hospitals would not get any extension (not even the 3 year extension) if they did not submit a seismic compliance plan; and,
- Clarify that the abeyance for rural/critical access hospitals is not automatically granted to all of these hospitals, but is subject to a review of their ability to finance/risk of closure or loss of service/etc.

SB 1432 will head next to the Senate Appropriations Committee.

▶ AB 2625 (Bryan) – Statewide Court Notification System

AB 2625, by Assembly Member Isaac Bryan, would require counties to facilitate a statewide court notification system, which would transmit reminders about court appearances via text. While the bill imposes the responsibility for developing the statewide program on county governments, it would authorize any of the following entities to send the notifications: a superior court, county defense agency or contractor, pretrial services provider, or community-based organization. AB 2625 does not mention nor appear to accommodate the fact that a dozen or more jurisdictions in the state already offer a free court hearing reminders.

The bill would mandate several important features about the notification system, including:

- The time intervals in advance of a hearing at which text notifications must be sent;
- That it be free to court users;
- That it include the technological capability to provide additional information to defendants concerning scheduled court appearances, including the location of the court appearance, available transportation

options, and procedures for defendants who are unable to attend court appearances; and
- That text reminders be made available in California's threshold languages, as defined.

While counties understand and appreciate the value and benefits of ensuring that individuals with matters before the court appear on the assigned date and time, the measure imposes a number of practical and fiscal concerns. Chief among those is that local court case-management systems operate outside the control and access of county governments, so AB 2625 would require establishment of new and presumably expensive technological pathways to facilitate the notification system. Two previous legislative efforts – SB 255 (Umberg, 2023) and SB 850 (Umberg, 2023) – would have imposed this same requirement on the Judicial Council; both bills died due to fiscal impacts. CSAC, UCC, and RCRC recently weighed in with opposition, highlighting the considerable operational and policy concerns. AB 2625 awaits a hearing in the Assembly Appropriations Committee.

▶ AB 2199 (Berman): Extension of CEQA Exemption for Infill Projects

The Assembly Natural Resources Committee approved AB 2199 by Assembly Member Berman on April 15. This UCC-sponsored measure would extend a CEQA exemption for infill housing projects located in unincorporated areas until 2035. To qualify, the projects must be in urbanized areas, meet minimum density requirements, and be mostly surrounded by existing urban uses. Committee amendments taken in Natural Resource also ensure that these projects do not negatively impact tribal cultural resources.

UCC supported the creation of the original exemption in 2018. Since that time, counties have used it to expedite the environmental review of nine multifamily residential and mixed-use projects consisting of 378 housing units. While the exemption has primarily been used in urban counties, including Alameda, Orange, Sacramento, and San Diego, it has also benefitted two affordable multifamily infill housing projects within existing developed communities in unincorporated Santa Cruz and Lake counties.

Administration Announces New Homelessness Accountability Initiatives and Recommend Changes to Regional Housing Planning Requirements

During a press conference announcing the award of $192 million in Encampment Resolution Fund (ERF) grants to cities, counties, and continuums of care, the Governor highlighted two additional efforts designed to increase oversight of state homelessness funding and ensure accountability by local jurisdictions.

Specifically, through the transition of homelessness-related grant administration from the California Interagency Council on Homelessness (Cal-ICH) to the Department of Housing and Community Development (HCD) and recommending new requirements for jurisdictions to plan for housing needs at the lowest end of the income spectrum, the Administration is seeking to integrate oversight of homelessness-related spending and planning within HCD's existing housing element accountability processes. A fact sheet is available here.

The Administration has proposed budgetary changes and a related trailer bill to implement the statutorily required shift of responsibility for the Homeless Housing, Assistance and Prevention (HHAP) program, the Family Homelessness Challenge Grant program, and the ERF from Cal-ICH to HCD's Housing Policy Development division. The change would shift 22 positions and add four new staff. As noted in the budget change proposal, this would allow the staff overseeing homelessness grants to work closely with HCD's existing housing accountability unit, which was established in 2021 to provide additional oversight of local implementation of state housing laws, including providing technical assistance and referring non-compliant jurisdictions to the Attorney General's office.

The second proposal, which is related to planning for the housing needs of households under 30% of area median income, was included in a long-awaited report recommending changes to the Regional Housing Needs Allocation (RHNA) process. Specifically, HCD has recommended creating two new income categories within the current very low-income category:

- Extremely low-income (ELI) households based on federal Department of Housing and Urban Development definitions, or below 30% of area median income, and
- Acutely low-income (ALI) households with incomes of 15% of area median income.

The report argues that shortcomings in current state population data used in RHNA do not adequately account for individuals experiencing unsheltered homelessness. HCD discusses the merits of various publicly available homelessness data, including the HUD Point-in-Time-Count, California's Homeless Data Integration System (HDIS) data, and data from K12 schools, which could be used to develop an adjustment to the lower-income population data and applied at the regional level (i.e. the Regional Housing Needs Determination). The report doesn't discuss how these regional-level housing needs for ELI and ALI households would be allocated among local jurisdictions, which would then be required to account for these needs in their local zoning and housing element programs.

The report includes numerous other recommendations and policy considerations for the Legislature, but the Administration is currently focused on the recommendation related to the consideration of ELI and ALI households in the housing element process. While this proposal is not expected to proceed in the form of a budget trailer bill, the Administration has indicated their interest in working with the Legislature to advance this policy change.

Public Safety Measure Likely to Qualify for November Ballot

Californians for Safer Communities – a coalition of public safety organizations, business interests, merchants, taxpayer groups, victims' advocates, and others – announced last week that they have collected more than 900,000 signature to qualify a November ballot measure. Per the proponents, the measure is in response to concerns about the cyclical and interconnected nature of the fentanyl crisis, organized retail theft, and homelessness among those struggling with substance use disorders.

Among other provisions, the initiative would:

- Revise, without fully repealing, various provisions of Proposition 47 (2014) by:
  - Allowing felony charges for possessing certain drugs, including fentanyl, and for thefts under $950—both currently chargeable only as misdemeanors—with two prior drug or two prior theft convictions, as applicable. (Although defendants who plead guilty to felony drug possession and complete treatment could have charges dismissed.)
  - Increasing sentences for other specified drug and theft crimes.
- Create a new court process for certain drug possession crimes and require a warning of future criminal liability for people convicted of drug distribution.

As a result of these changes, increased felony convictions resulting in prison sentences would reduce state correctional savings that, pursuant to provisions in Prop 47, currently are dedicated to mental health and drug treatment programs, truancy programs in the K-12 system, and victims' services.

The state's fiscal estimate by the Legislative Analyst's Office (LAO) and Department of Finance identifies the following impacts associated with the ballot measure: (1) increased state criminal justice system costs – potentially in the hundreds of millions of dollars annually, primarily due to an increase in the state prison population – that could be partially offset by reductions in state spending on local mental health and substance use services, truancy and dropout prevention, and victim services due to requirements in current law and (2) increased local criminal justice system costs potentially in the tens of millions of dollars annually, primarily due to increased court-related workload and a net increase in the number of people in county jail and under county community supervision.

Although progressive voices continue to promote legislative alternatives to the ballot measure, the Legislature remains divided on how best to address growing anxiety about crime. A slate of legislative efforts to address many of the same policy concerns that would be addressed in the ballot measure continue to be considered by the Legislature; we will report on the outcome of those measures once the house of origin deadline passes.

Office of Health Care Affordability Adopts Spending Target

After spending nearly five hours in discussion and hearing public comment, the Office of Health Care Affordability (OHCA) Board adopted a five-year spending target yesterday. Staff presented two options to the board: 1) their original recommendation of a 3% target each year from 2025-26 and 2) an alternative that offered a glide path starting at 3.5% and reducing to 3% from 2025 to 2029. In response to Board member questions about the second option, Secretary Ghaly said it was responsive to a lot of the feedback while still being aggressive. After significant debate and discussion, including an alternative presented by Dr. Pan, the Board adopted the second option on a 6-1 vote with Dr. Pan voting 'no'. The chart below details the spending growth target:

Performance Year	Per Capita Spending Growth Target
2025	3.5%
2026	3.5%
2027	3.2%
2028	3.2%
2029	3.0%

The Board also heard an update from staff on an aging adjustment, which had been discussed at several prior meetings. Initially, OHCA will report total health care expenditures adjusted for changes in the age and sex composition of an entity's population. These adjustments will account for year-over-year changes in an entity's population. Based on baseline and other annually reported data, OHCA will assess whether adjustments to the approach or the target(s) are merited. OHCA staff acknowledged that an aging population will impact spending growth. This was not an action item.

Budget Hearing Updates

▶ Child Welfare Services

Senate Budget and Fiscal Review Subcommittee No. 3 met yesterday to discuss the child welfare services budget items, including the elimination of the Family Urgent Response System (FURS), elimination of the Supervised Independent Living Placement (SILP) Housing Supplement, and elimination of the LA Public Health Nursing Early Intervention Program (agenda).

Senator Caroline Menjivar expressed significant upset and frustration with the cuts to child welfare services, moved to tears by the testimony of an adoptive parent helped by the FURS program. She said she wished the other budget subcommittee chairs were at the hearing to hear from real people the impact of the cuts.

The subcommittee also discussed the Administration's proposed foster care rate reform proposal. While panelists were generally supportive, some of the panelists did raise concerns with some aspects of the proposal. The County Welfare Directors Association raised concerns with the use of the CANS assessment tool to set rates, since the assessment instrument was never designed or intended to be used to set rates, and whether there will be unintended consequences. The California Alliance for Children and Families, which represents providers, raised concerns with the behavioral health components, specifically that (1) the tier 3 rates are $3,000 per month less than rates for those facilities today, (2) the rates for the administrative components are inadequate at all levels, and (3) there are no cost-of-living adjustments proposed.

▶ Behavioral Health

Assembly Budget Subcommittee No. 1 heard updates on behavioral health issues at its April 22 hearing (agenda). Assembly Member Akilah Weber was the only member to attend the hearing, which was more informational in nature than a typical budget hearing.

The LAO provided an overview of behavioral health services and recent initiatives in California (handout), concluding that: 1) many of the recent initiatives to increase capacity across the behavioral health system, such as facilities and workforce, were funding with one-time funding and 2) recent initiatives are mainly focused on connecting underserved populations to services and new services, with examples being CARE Act and the new Medi-Cal mobile crisis benefit.

The subcommittee next heard from a panel including representatives from the Mental Health Services Oversight and Accountability Commission, the County Behavioral Health Directors Association, and the California Association of Psychiatrists. Assembly Member Weber engaged in a wide-ranging discussion with panelists asking several questions, including:

- Although we have national standards and guidelines that are evidence based, why are there differences in how care is delivered?
- She asked about workforce issues, including how many psychiatrists are in California and how many take insurance. As we talk about workforce challenges, we need to understand how many providers are out there and whether the state needs to increase providers.
- What is the behavioral health system doing to address provider access and equity?
- She expressed surprise and concern by the patchwork nature of the behavioral health system that we don't see in other areas of medicine. With all of the initiatives, do you see this improving?

Assembly Member expressed concern with how different things are from one county to another and stated an interest in seeing more consistency from county to county.

The discussion concluded with a presentation from the California Health and Human Services Agency and the Department of Health Care Services (handout). Dr. Weber asked that panel: 1) whether the new inpatient beds would be equally distributed across the state, or will each county have to fight for these funds or programs (the funds will continue to disbursed on a competitive basis) and 2) if our crisis intervention approach has training and best practices for individuals on autism spectrum? She also asked the Administration to provide basic guidelines and standards on how behavioral health services should be managed. Assembly Member Weber expressed concern about counties directing the funds in ways that may not help patients.

▶ Managed Care Organization Tax

Senator Menjivar, chair of Senate Budget and Fiscal Review Subcommittee No. 3, presided over a hearing on April 18 on the Managed Care Organization (MCO) tax and the Targeted Rate Increases (TRI) being proposed for Medi-Cal (agenda). The Subcommittee heard presentations for the Department of Health Care Services (DHCS), the Legislative Analyst's Office and from two stakeholder panels. The first panel included representatives from the health plans and entities whose members would receive rate increases under the Administration's proposal. The second panel included advocates and organizations pushing to use the MCO tax revenue for rate increases or to implement Medi-Cal policy changes.

During the first stakeholder panel, the entire subcommittee engaged the California Hospital Association in conversation about the TRI. Senator Grove believed that the proposal to increase Medi-Cal rate addresses the root cause of distressed hospitals, making supportive comments about the Newsom Administration. She also noted that although the rate increases occurred on January 1, 2024, providers have not received the money yet. Several panelists confirmed that there are delays with the rates and that there will be retroactive rate adjustments because DHCS has not finalized guidance to health plans.

Senator Roth asked CHA if they have done modelling of their distressed hospital to assess whether the rate changes impact the financial sustainability of these hospitals. CHA responded that they are still working on that analysis, which depends on finalizing identifying those codes that are being adjusted and utilization levels at individual hospitals. And they noted the lag with payments. The California Medical Association testified that they did not anticipate physicians getting payments for the current year until December 2024 – approximately 12 months after the rate change went into effect. Senator Roth believes the analysis of distressed hospitals is particularly crucial because of seismic needs. He noted that only 232 hospitals are capable of providing services after a major earthquake. The Legislature will likely need to explore funding mechanisms outside of the MCO tax to help hospitals pay for seismic.

During the first stakeholder panel, Senator Menjivar raised concerns about the proposed workforce investments after the SEIU presentation, particularly the lack of detail on the workforce proposals. She asked why the Administration is proposing to delay workforce investments while they are putting resources in new programs with the MCO tax. She went on to say: "I'm not voting on anything without details." She also said that the Legislature doesn't "need stakeholders to tell us what to do." There are already plans and systems to invest in workforce; the Administration has proposed to delay loans for clinical social workers and RNs. Senator Menjivar also was upset with creating a brand-new program. She acknowledged that the state needs to invest in current providers with urgency (LVNs, RNs, CNAs) but doesn't think the MCO tax proposal will accomplish that goal.

At the conclusion of the first panel, Senator Menjivar admonished the panel and the Administration. She stated that for the past two months, this committee had to hear delays and cuts on previous agreements between the Legislature and the

Administration. She referenced examples of agreements that the Administration has reneged on, explicitly noting CalWORKs, child welfare services, and developmental disabilities cut proposals. She suggested that the MCO tax should be on the table for reconsideration, too. She went on to note that only four stakeholders reap the benefits of the MCO tax – hospitals, clinics, physicians, and Planned Parenthood. Senator Menjivar asserted that she does not consider that to be a robust stakeholder coalition. “Perhaps other groups don’t have ability to be at the big dog table. We need to make new friends and let them to the table.” She noted that the second stakeholder panel is asking for $107.8 million in 24-25, $164 million ongoing, which is less than the $200 million being proposed for equity.

The second stakeholder panel included the following requests: 1) a 40% increase to Private Duty Nursing Rates; 2) establishing a rate floor for community-based adult services (CBAS), requiring managed care plans to pay CBAS centers at a rate greater than or equal to the Medi-Cal fee-for-service rate; 3) increases for congregate living health facilities’ daily rate from $490 to $675; 4) implementation of the Multi-Year Continuous Enrollment in Medi-Cal for Children 0-5; 5) a base rate increase for Community Health Workers, Promotoras, and Representatives (CHW/P/Rs) to at least 87.5 percent of Medicare, effective July 1, 2024; 6) implementation of the share of Cost Reform – Maintenance Need Income Level Adjustment; 7) restoration of the chiropractic benefit in Medi-Cal and modification of the two visit per month Medi-Cal limit to a 24 annual visit limit; 8) an increase to reimbursement rates for orthotics and prosthetics to at least 80 percent of the Medicare allowable rate and adjust the rate annually to conform with relevant changes in the Medicare program.

At the end of the hearing Senator Menjivar reiterated that 1% of the total MCO tax provider allocation could be used to fund all the stakeholder requests from the second panel. She suggested that the Legislature could look at the labor workforce or equity pots for money. She implored DHCS and other stakeholders that “we find ways to include new friends.”

- **Health Care Affordability**

In follow up to a hearing earlier this year on hospitals challenges, Assembly Budget Subcommittee No. 1 met on April 15 to discuss the impact of health care costs on consumers.

Subcommittee members heard from a panel that included the UC Berkeley Labor Center (presentation slides), Health Access, UNITE HERE, Service Employees International Union, California Labor Federation, California Nurses Association, and California Pan-Ethnic Health Network.

The UC Berkely Labor Center provided the following overview:

- Health care takes up an increasing share of household budgets: it was 4.2% in 2002 and 12.2% in 2022.
- If employers weren't contributing to increasing health care costs, wages would be higher. The average cumulative loss of earnings was over $125,000 over the worker's working life.
- A study found disparities in the percentage of income that Latino and Black families spend on health insurance premiums, with those families spending more than white and Asian families.
- Hospital care and hospital prices are important contributors to those trends and that 36% of health care spending is on hospitals.

The panelists all raised concerns with the growth in health care costs – premiums, deductibles, and co-pays, as well as the impacts on consumers. All were supportive of the OHCA's proposed spending target. SEIU raised concerns with executive compensation and health care workforce needs, while CNA advocated for single payer.

Assembly Member Bonta asked about the effects of health care consolidation Health Access responded that there has already been a substantial amount of consolidation in California. Three major insurers represent 75 to 80% of the health care market. Region by region there are only a handful of providers in some commercial markets, and Health Access pointed to San Diego and the East Bay as examples. Health Access reminded the subcommittee that there is pending legislation on private equity (AB 3129, Wood) to expand Attorney General oversight.

The hearing was informational and did not include any actions.

- **State Homelessness Funding**

Following a highly critical audit that identified gaps in the state's homelessness action plan and a failure to monitor the cost-effectiveness and outcomes of state spending on homelessness, Senate Budget and Fiscal Review Subcommittee No. 4 on State Administration and General Government held a hearing on April 18 examining the state's overall approach to homelessness as well as specific budget items.

Members of the committee pushed the Administration to explain data gaps. Testimony from the California Interagency Council on Homelessness (Cal-ICH) and the Department of Housing and Community Development (HCD), which will be taking over responsibility for grant programs previously administered by Cal-ICH, stressed that the state audit was focused on the earliest rounds of the state's Homeless Housing Assistance and Prevention Program (HHAP) and that data collection and monitoring had improved significantly in recent years. Cal-ICH's data team was not created until 2021 and was not fully staffed until 2024.

Another consistent theme of the committee questions was focused on California's lack of progress in addressing homelessness despite significant state investments. The Terner Center for Housing Innovation and HCD both pointed to high housing cost burdens as a key barrier in California, where residents who have precarious housing situations can quickly fall into homelessness.

Local government panelists, including Sacramento Mayor Darrell Steinberg, the California State Association of Counties (CSAC), and the Continuum of Care (CoC) from San Diego also spoke to this issue, providing statistics about the level of "inflow" into homelessness exceeding exits to housing, despite new capacity across the overall system. The local panelists all emphasized the importance of ongoing flexible state investment, including filling gaps in federal programs that are poor fits for California's expensive housing market (e.g., funding landlord coordination and security deposits), and taking on new roles (e.g., cities creating extensive new emergency shelter capacity). The CoC representative also highlighted how state involvement in their historically federally funded programs has helped fill data gaps at the statewide level.

Panelists from the Administration pointed out that despite being awarded in annual installments, HHAP funding has a multiyear funding horizon. The Department of Finance noted that the Governor's budget didn't include a sixth installment of HHAP funding and reminded the committee of the Governor's interest in strengthening accountability for state homelessness funding. Committee members questioned what the programmatic impact would be of delaying future HHAP money but did not seem inclined to take a strong position against the concept.

The Administration is characterizing the move of homelessness grant programs to HCD as an opportunity to increase accountability for local spending. HCD is already charged with reviewing local housing elements, which are largely focused on the regulatory environment for local approval of land use entitlements for housing projects, as well as other programs designed to accommodate housing needs at all income levels. While details remain unclear, at a press conference on April 18, the Governor suggested that bolstering HCD's enforcement staff and linking homelessness funding with local housing elements, including new zoning requirements related to projects that serve populations below 30% area median income, will help improve outcomes.