



Housing & Homelessness: 2022-23 State Budget Summary & Analysis

Introduction

Every Californian needs a decent place to live, regardless of race, background, or income. Communities where Californians from all walks of life can live, study, work, and create together are strong, innovative, and stable. Communities in which Californians cannot secure housing, are not.

California's state budget can help us thrive by prioritizing the needs of those in our communities who have been denied the opportunity to share in our state's prosperity. While most Golden State residents are homeowners or renters, there are an alarming number who are and will remain unsheltered, or are vulnerable to experiencing homelessness because of the lack of long-term housing available to Californians with low to no income. In this regard, California's state budget, while good in part, falls short on the whole.

The Governor and Legislative Leadership stated that California's FY 21-22 budget "focused on providing relief to those that needed it most." The Governor and Legislative Leadership stated that California's FY 22-23 budget "focuses on the State's most pressing needs." Yet, it is hard to conclude that the State has a more pressing need than housing. After all, the number of people experiencing homelessness served by California's homelessness response system (Continuums of Care) increased from 188,000 in 2017 to 255,000 in 2020 – before COVID-19 ravaged the economy. And that same year, more than 4 million Californians were already paying more than half of their income to cover housing costs – before inflation reached a 40-year high.

Despite the record \$97.5 billion projected budget surplus, total homelessness and affordable housing investments in California's FY 22-23 budget fell by nearly \$7 billion this year when compared to FY 21-22.

Our State's FY 22-23 budget only offers a fraction of the funding for affordable housing, homelessness prevention, and bridge housing outlined in [Roadmap Home 2030](#), our comprehensive blueprint to address statewide housing and homelessness issues developed by diverse budget and policy experts across the state.

Affordable Housing

KEY INVESTMENTS:

The FY 22-23 budget includes investments towards proven programs that fund most affordable housing in California.

- \$500 million for the state Low-Income Housing Tax Credit (LIHTC) program, equal to that invested in FY 21-22.
- \$325 million over two years towards the Multifamily Housing Program (MHP). MHP provides financing for the development, rehabilitation and preservation of multifamily affordable housing. This year's investment supplements dwindling programmatic funds initially provided by the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1).
- \$250 million towards the Housing Accelerator Program to help meet funding gaps caused by insufficient federal tax credits for affordable housing proposals, down from \$1.75 billion in FY 21-22. The state would need to invest \$4 billion to unlock over 14,000 "shovel-ready" affordable homes in need of Housing Accelerator funds. Housing California and our partners have advocated to lower the federal LIHTC private activity bond threshold requirement from 50 percent of the project's eligible basis to 25 percent. Lowering this bond financing threshold could produce 2 million additional affordable rental homes nationally over 10 years, including 330,000 in California.

Other investments reflect the Governor and Legislative Leadership's acknowledgment of housing development as an important strategy to combat climate change and generate community development. The budget also provides funds for affordable housing targeted to veterans and rural farmworkers.

Affordable Housing (cont.)

TARGETED INVESTMENTS:

- \$425 million over two years for the Infill Infrastructure Grant (IIG) Program: Infill development reduces residents' dependency on vehicle trips and adds residential density near community amenities.
- \$477 million in Cap-and-Trade revenue for the Affordable Housing and Sustainable Communities (AHSC) Program to provide affordable housing loans and grants to localities that leverage the benefits of high-quality transit and transportation-related amenities.
- \$450 million over two years for Adaptive Reuse developments that convert vacant and underutilized commercial or industrial buildings to affordable housing. Adaptive reuse is an eligible use in applying for funding under programs streamlined by AB 434 (Chapter 192, Statutes of 2020).
- \$150 million over two years for the Portfolio Reinvestment Program to preserve affordability of HCD's existing housing stock through recapitalization.
- \$150 million towards Homekey, a program that acquires hotels and motels to provide rapid housing for people experiencing homelessness. Announced separately by the Governor on May 10, 2022, this funding adds to the \$1.3 billion set aside in last year's budget for FY 22-23.
- \$100 million over two years towards the Veterans Housing and Homelessness Prevention Program (VHHP) to augment dwindling funds initially provided by Proposition 41 in 2018.
- \$100 million to develop affordable housing on underutilized, government owned property.
- \$50 million for the Joe Serna Farmworker Housing Grant Fund for low-income rental- and ownership-housing that serves agricultural workers, equal to that provided in FY 21-22.

Homelessness

KEY INVESTMENTS:

- \$1 billion for the Homeless Housing Assistance and Prevention (HHAP) Program: This funding would support a “Round 5” of HHAP for the FY 23-24 budget year, signaling a commitment from the legislature and Governor to provide ongoing funds to HHAP. HHAP provides flexible formula grants to Continuums of Care, cities and counties to fund homeless services, interim housing options, rental assistance and operating costs in affordable housing, and capacity building for local homeless response systems.
- \$700 million for the Encampment Resolution Grant Program: This budget increases the allocation for the second year of the Encampment Resolution grant program by 14 times - a result not only of the fact that the initial round of funding fell short of the demand for the funds, but also of an increasing emphasis from local governments on addressing street encampments. While the eligible uses of the ERG Program are focused on short- and long-term housing solutions for people living in encampments, there is concern that the resources could be paired with local “sweeps” of encampment communities that can result in criminalization, destabilization and displacement of unhoused community members.
- \$1.5 billion for Behavioral Health Bridge Housing: The Department of Health Care Services will distribute funds to counties and tribes over two years to support operations in various “clinically enhanced” interim housing settings, including tiny homes as well as assisted living facilities and senior care homes. This investment has also been referenced as one that could be leveraged for people mandated to go through CARE Courts.
- \$119 million to support the administration of CARE Courts: At the time of this writing, the legislature is still considering a bill outlining a proposal for a new court system to move people experiencing serious mental illness into mandated psychiatric treatment under court order, known as CARE Courts (SB 1338, Umberg). While the bill is not yet law, the budget included funds to support the operations of the administrative aspects of the new civil court process. There is currently no additional funding to support permanent housing, services, or mental health treatment for people subject to CARE Court proceedings.

Housing Stability

KEY INVESTMENT:

- \$30 million increase for legal aid eviction defense: This investment adds to the FY 21-22 investments of \$80 million (over three years), but advocates worry that it will fall far short of the projected need given the limitations in the Emergency Rental Assistance Program and the expiration of COVID-related eviction protections across the state.

Homeownership

KEY INVESTMENTS:

- \$500 million for the California Dream for All Program: These one-time funds will establish the California Dream for All Program at the California Housing Finance Agency to assist low- and moderate-income first-time homebuyers with down payments and rising interest rates.
- \$350 million one-time to CalHome to support local programs for low- and moderate-income first time homebuyers, up from \$100 million in FY 21-22. With \$250 million in FY 22-23 and \$100 million in FY 23-24, this program supports local first-time homebuyer and housing rehabilitation assistance, homebuyer counseling, and technical assistance activities.

Additional Investments

REENTRY AND CRIMINAL LEGAL SYSTEMS:

While AB 1816 (Bryan), the coalition proposal to expand permanent housing options for people formerly incarcerated in state prison, was not funded in this year's budget, the legislature did make two modest investments in existing reentry programs, including:

- \$10 million annually for 3 years for Returning Home Well: This investment offers General Funds to support the continued operation of a COVID-era short-term transitional housing program for people exiting California Department of Corrections and Rehabilitation custody.
- \$20 million in additional funds for the Adult Reentry Grant Program: This program funds a mix of interim, transitional, and longer-term housing options for formerly incarcerated Californians through the Board of State and Community Corrections.

Additional Investments (cont.)

MONEY IN CALIFORNIANS' POCKETS:

While housing advocates were disappointed with this year's housing and homelessness investments, many of our partners who work on economic justice issues secured budget wins this year to help put money back in Californians' pockets, and hopefully help them meet the escalating costs of housing amidst stagnant wages and skyrocketing inflation.

- **CalWORKS and SSI grant increases:** For the first time in 24 years, the budget for CalWorks has increased by 21 percent. This means that for the next two years families living in deep poverty will have more resources available to them. Furthermore, this year's budget experienced a financial boost to food assistance and a \$107/month increase to SSI.
- **Tax Rebates:** To help Californians address high inflation, the budget funded tax rebates nearing \$9.5 billion. The rebates, however, are not structured progressively. Households earning below \$75,000 will receive \$350, and households earning up to \$125,000 will receive \$250. A progressive tax rebate would provide more resources to households that *need it most*.

Along with directly increasing tax rebates and public benefits, several additional policy changes will support families by taking fewer dollars out of their pockets.

- **Child support pass-through reform:** For decades, families who received both child support and public benefits were required to reimburse the state for the cost of the benefit programs out of their child support allotment. Moving forward, 100% child support payments will go directly to families to support their immediate needs.
- **Civil assessment reform:** This change will reduce the late penalty for failure to pay a traffic ticket from \$300 down to \$100, along with discharging civil assessment debt accrued prior to this policy. This will result in billions of dollars of debt relief for Californians who were unable to pay their fines and fees on top of their housing, healthcare, and basic needs.

Conclusion

As Californians grapple with inflation and an even greater housing cost burden in the third year of a global pandemic, it's time for our state to adopt ambitious funding in which recurring allocations and long-term resources are paramount, and the scale of investment in affordable housing meets the scale of need. Without recurring allocations and investments at scale over the course of the next decade, we will fall short of realizing our collective vision of a California with homes, health, and wealth for all in thriving, sustainable communities.

Housing California looks forward to working closely with the Governor, the Legislature, and our partners across the Golden State to protect, preserve, and produce housing for everyone who calls California home – especially our loved ones and neighbors with low- to no income. As California goes, so goes the nation. Sparking new ideas, pioneering groundbreaking innovations, and solving big problems is the California way. Taking action to build a stronger future is how we keep the promise of the California Dream.

ABOUT HOUSING CALIFORNIA:

Housing California brings together a diverse, multi-sector network to prevent and end homelessness, increase the supply of safe, stable, affordable housing options, and reverse the legacy of racial and economic injustice by building power among the people most impacted by housing injustice, shaping the narrative, and advocating for statewide policy solutions.