

Budget Change Proposal - Cover Sheet

Fiscal Year: 2020-21
Business Unit: 2240
Department: Housing and Community Development
Priority Number: 03
Budget Request Name: 2240-011-BCP-2020-GB
Program: 1660- CODES AND STANDARDS
Subprogram: N/A

Budget Request Description: Employee Housing-Field Inspections

Budget Request Summary: The Department of Housing and Community Development requests an augmentation of \$356,000 in reimbursement authority in 2020-21 and \$319,000 ongoing to fund 2.0 District Representative I's to address the increasing inspection workload of all Employee Housing facilities.

Requires Legislation: Yes No

Code Section(s) to be Added/Amended/Repealed: N/A

Does this BCP contain information technology (IT) components? Yes No

If yes, departmental Chief Information Officer must sign.

Department CIO Name: N/A

Department CIO Signature:

Signed On Date: N/A

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

Project Number: N/A

Project Approval Document: N/A

Approval Date: N/A

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: Richard Weinert

Date: 1/2/2020

Reviewed By: Russ Fong

Date: 1/2/2020

Department Director: Doug McCauley

Date: 1/3/2020

Agency Secretary: Alexis Podesta

Date: 1/6/2020

Department of Finance Use Only

Additional Reviews: Capital Outlay: ITCU: FSCU: OSAE:

Department of Technology:

PPBA: Danielle Brandon

Date submitted to the Legislature: 1/10/2020

A. Budget Request Summary

The Department of Housing and Community Development (HCD) requests \$356,000 in 2020-21 and \$319,000 ongoing in reimbursement authority to fund 2.0 District Representative I's to address the increasing inspection workload of all Employee Housing facilities.

B. Background/History

The Legislature enacted the Employee Housing Act (Act) in 1979 and designated HCD as the enforcement agency, defining employee housing and the required permits to operate. This law was enacted for the benefit of persons living in privately owned and operated employee housing facilities to provide minimum standards for their health, safety, general welfare, and a decent living environment. Additionally, the Act also provides protection for the general public which may be impacted by conditions in and around employee housing facilities.

Currently, HCD administers and enforces the Act under the Employee Housing Program (EH) in the Division of Codes and Standards. The EH program collects fees on the processing of permits to operate (PTO), inspections and re-inspections.

EH fees associated with the above-mentioned activities are as follows:

- \$200.00 Permit to Operate Fee (Includes Initial Inspection Fee)
- \$27.00 Per Employee Fee
- \$27.00 Per MH or RV Lot or Site Fee
- \$178.00 Reinspection Fee (1 hour)
- \$82.00 Each additional Hour (Reinspection or Initial Inspection)
- \$42.00 Each additional Half Hour (Reinspection or Initial Inspection)

Fees support 3.0 authorized positions, 1.0 of which is dedicated office staff to process PTOs, identify facilities in need of inspection, correspond with customers, and complete a legislatively mandated annual report. The increase in PTO applications will support the additional 2.0 authorized positions and allow the 40.0 District Representatives (DR) to charge time to the EH program when conducting EH related inspections. DRs work out of home offices located around the state and cover a dedicated geographic jurisdiction to reduce travel time.

The U.S. Department of Labor's (DOL's) Temporary Agricultural (H-2A) Program provides housing at no cost to temporary agricultural workers. Since many of these housing facilities are statutorily defined as employee housing, they must be permitted to operate and be inspected annually or biannually by HCD. Therefore, in April of 2018, the Employment Development Department (EDD) transferred jurisdiction of all

employee housing facilities to HCD. Since there is a chronic shortage of agricultural workers, the H-2A program is growing, creating an influx in regulatory requirements for HCD.

Resource History

Dollars in thousands

Program Budget	2014-15	2015-16	2016-17	2017-18	2018-19*
Authorized Expenditures	\$520,000	\$521,000	\$528,000	\$528,000	\$528,000
Actual Expenditures	\$386,000	\$411,000	\$409,000	\$528,000	\$528,000
Revenues	\$386,494	\$411,871	\$409,303	\$799,138	\$932,162
Authorized Positions	3	3	3	3	3
Filled Positions	3	3	3	3	3
Vacancies	-	-	-	-	-

*Expenditure data is based on a projection and not reflective of year-end statements.

Workload History

Workload Measure	2014-15	2015-16	2016-17	2017-18	2018-19*
New PTO Applications Processed	4	8	104	133	207
Annual PTO Renewal	382	395	295	553	467
Preoccupancy Inspection	120	97	35	30	75
Preoccupancy Reinspection	62	75	28	13	9
Occupancy Inspection	0	2	154	168	193
Occupancy Reinspection	0	0	77	106	25

C. State Level Considerations

Safe and sanitary Employee Housing for workers handling agricultural products is a statewide health and safety issue. Unsanitary, crowded, and poorly ventilated living conditions pose risks to employees' health, increasing their vulnerability to infectious diseases or heat stroke. Overcrowding and unsanitary conditions can trigger communicable diseases, among them foodborne diseases such as Norovirus, E-coli, Listeria, Salmonella, and Hepatitis A. Such illnesses can contaminate food products, especially those designed to be consumed raw. In addition to the health risk, a lack of agricultural workers due to affordable and safe housing options has potential economic impacts. Without adequate supply of housing for employees, the agricultural industry risks crop loss of highly perishable foods. According to the California Department of Food and Agriculture, California is the leading state for cash farm receipts, a measure of total income received from the sale of agricultural commodities, accounting for over 13 percent of the nation's total agricultural value.

D. Justification

Health and Safety Code section 17000 requires HCD to inspect EH facilities annually, or biannually if privately owned, and if operated employee housing facilities have five or more employees. Currently, there are 729 permitted EH facilities under HCD enforcement authority, which houses approximately 25,000 employees. Recreational companies, such as ski resorts and rafting companies, maintain employee housing for seasonal employees; however, the majority of permitted facilities house farmworkers working in agricultural-based industries including packaging and distribution facilities. EH facilities are mostly concentrated in rural agricultural areas, including the central valley and coastal communities, but may also include hotels or motels in urban areas.

In 2017-18, HCD assumed inspection responsibility from EDD for approximately 379 additional EH facilities related to agricultural workers, increasing the demand for HCD EH inspections by almost 65 percent. HCD has also seen an increase in EH facilities requesting new PTOs. HCD has been unable to meet inspection requirements with current resources, inspecting approximately only 25 percent of facilities annually.

To address the volume, a conditional PTO may be issued, and inspections are conducted after the facility is occupied. HCD is managing risk by delaying inspections for established EH facilities without prior health and safety violations, but the consequence of not conducting an inspection before occupancy is a delay in identification of health and safety risks. Many H-2A facilities operating under Federal laws and regulations are employee housing facilities and must obtain an occupancy inspection from HCD prior to locating agricultural laborers in these facilities.

The EH program is operated on a traditional calendar basis. Renewal applications and

invoices are typically sent to active facilities in October, although facilities can renew or submit new applications at any time prior to occupancy. HCD makes every effort to inspect active EH facilities prior to occupancy. Often inspections are conducted after occupancy, such as for year-round facilities or when applications are received and processed close to occupancy. Any violations noted during pre-occupancy or occupancy inspections are re-inspected to verify health and safety violations are abated; approximately 60 percent of pre-occupancy and occupancy inspections result in a violation that requires a reinspection. Without these inspections there is risk to the health and safety of employees including illness or death and potential food safety issues of agricultural products produced within the state, and for the ability of the H2A labor contractors to receive H2A permits without timely inspections, potentially leading to economic loss due to labor shortages.

E. Outcomes and Accountability

If the requested 2.0 DR I positions are authorized, HCD will meet the demand to inspect all new facilities on an annual basis prior to occupancy and renewals biannually, if they meet certain conditions. During 2017-18, HCD received 207 new applications, up from 133 the previous year. Projected estimates assume HCD will see 15 percent growth in 2019-20 as H2A facilities become aware of the changed requirements, then level off to a 7 percent increase. This BCP is consistent with HCD's strategic goal number one, to lead the policy agenda by increasing and preserving housing supply attainable across all income levels. The requested positions will not require the HCD to enter into new lease agreements and can be accommodated within the HCD's currently leased space

Projected Outcomes

Workload Measure	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
New PTO Applications Processed	238	255	272	294	315	336
Annual PTO Renewal	636	680	728	778	883	891
Preoccupancy Inspection	373*	429	459	491	525	562
Preoccupancy Reinspection	262	301	346	370	396	423
Occupancy Inspection	249	287	330	353	377	403
Occupancy Reinspection	199	229	263	282	301	323

*With additional resources, HCD will have greater ability to inspect prior to occupancy, hence the change in ratio for pre-inspections and occupancy inspections conducted annually compared to prior years.

F. Analysis of All Feasible Alternatives

Alternative 1- Approve a baseline increase in reimbursement authority of \$356,000 in 2020-21 and \$319,000 ongoing to fund 2.0 District Representative I's to address the increasing inspection workload of all Employee Housing facilities.

Pros:

- Increased staffing to support statutory inspection obligation.
- Better health and safety outcomes for employees.

Con:

- Decreased excess program revenue from supporting additional positions.

Alternative 2 – Status Quo – do not approve a baseline increase in reimbursement authority of \$356,000 in 2020-21 and \$319,000 in 2021-22 to fund 2.0 District Representative I's.

Pro:

- Excess program revenue from increasing number of EH PTOs without additional staffing.

Cons:

- Inability to meet statutory and regulatory EH inspection requirements.
- Delays in inspections and complaints from industry groups.

Alternative 3 – Shift inspection priorities of DRs away from other programs to the EH program.

Pro:

- HCD could fulfill EH inspection obligations.

Cons:

- Delays in other inspection services offered in the Mobilehome Parks, Manufactured Housing and Special Occupancy Parks programs.
- Delays inspection of health and safety complaints
- Lapse in housing for those requesting installation inspections.
- Economic loss for construction related inspections.

G. Implementation Plan

HCD will recruit and hire 2.0 District Representatives I's. New geographic jurisdictions would be created in areas with high numbers of employee housing facilities and field operation workload will be distributed among new and existing staff. As mentioned above, field inspectors serve multiple programs. While the workload analysis shows a position gap of two DR I's within the EH program, creating additional geographic jurisdictions and spreading the workload across all DRs cuts down on vehicle miles traveled and travel time, allowing for more inspections to be completed daily

H. Supplemental Information

None

I. Recommendation

Approve \$356,000 in 2020-21 and \$319,000 ongoing in reimbursement authority to fund 2.0 District Representative I's to address the increasing inspection workload of all Employee Housing facilities annually or biennially.

BCP Fiscal Detail Sheet

BCP Title: Employee Housing-Field Inspections

BR Name: 2240-011-BCP-2020-GB

Budget Request Summary

Personal Services

Personal Services	FY20 Current Year	FY20 Budget Year	FY20 BY+1	FY20 BY+2	FY20 BY+3	FY20 BY+4
Positions - Permanent	0.0	2.0	2.0	2.0	2.0	2.0
Total Positions	0.0	2.0	2.0	2.0	2.0	2.0
Earnings - Permanent	0	141	141	141	141	141
Total Salaries and Wages	\$0	\$141	\$141	\$141	\$141	\$141
Total Staff Benefits	0	74	74	74	74	74
Total Personal Services	\$0	\$215	\$215	\$215	\$215	\$215

Operating Expenses and Equipment

Operating Expenses and Equipment	FY20 Current Year	FY20 Budget Year	FY20 BY+1	FY20 BY+2	FY20 BY+3	FY20 BY+4
5301 - General Expense	0	8	8	8	8	8
5302 - Printing	0	2	2	2	2	2
5304 - Communications	0	4	4	4	4	4
5306 - Postage	0	2	2	2	2	2
5320 - Travel: In-State	0	6	6	6	6	6
5322 - Training	0	2	1	1	1	1
5344 - Consolidated Data Centers	0	2	2	2	2	2
5346 - Information Technology	0	6	6	6	6	6
5368 - Non-Capital Asset Purchases - Equipment	0	36	0	0	0	0
570 - Internal Cost Recovery	0	73	73	73	73	73
Total Operating Expenses and Equipment	\$0	\$141	\$104	\$104	\$104	\$104

Total Budget Request

Total Budget Request	FY20 Current Year	FY20 Budget Year	FY20 BY+1	FY20 BY+2	FY20 BY+3	FY20 BY+4
Total Budget Request	\$0	\$356	\$319	\$319	\$319	\$319

Fund Summary

Fund Source

Fund Source	FY20 Current Year	FY20 Budget Year	FY20 BY+1	FY20 BY+2	FY20 BY+3	FY20 BY+4
0995 - Reimbursements	0	356	319	319	319	319
Total State Operations Expenditures	\$0	\$356	\$319	\$319	\$319	\$319
Total All Funds	\$0	\$356	\$319	\$319	\$319	\$319

Program Summary

Program Funding

Program Funding	FY20 Current Year	FY20 Budget Year	FY20 BY+1	FY20 BY+2	FY20 BY+3	FY20 BY+4
1660 - Codes and Standards Program	0	356	319	319	319	319
Total All Programs	\$0	\$356	\$319	\$319	\$319	\$319

Personal Services Details

Positions

Positions	FY20 Current Year	FY20 Budget Year	FY20 BY+1	FY20 BY+2	FY20 BY+3	FY20 BY+4
8959 - District Rep I (Eff. 07-01-2020)	0.0	2.0	2.0	2.0	2.0	2.0
Total Positions	0.0	2.0	2.0	2.0	2.0	2.0

Salaries and Wages

Salaries and Wages	FY20 Current Year	FY20 Budget Year	FY20 BY+1	FY20 BY+2	FY20 BY+3	FY20 BY+4
8959 - District Rep I (Eff. 07-01-2020)	0	141	141	141	141	141
Total Salaries and Wages	\$0	\$141	\$141	\$141	\$141	\$141

Staff Benefits

Staff Benefits	FY20 Current Year	FY20 Budget Year	FY20 BY+1	FY20 BY+2	FY20 BY+3	FY20 BY+4
5150900 - Staff Benefits - Other	0	74	74	74	74	74
Total Staff Benefits	\$0	\$74	\$74	\$74	\$74	\$74

Total Personal Services

Total Personal Services	FY20 Current Year	FY20 Budget Year	FY20 BY+1	FY20 BY+2	FY20 BY+3	FY20 BY+4
Total Personal Services	\$0	\$215	\$215	\$215	\$215	\$215