

0968 California Tax Credit Allocation Committee

The mission of the California Tax Credit Allocation Committee (CTCAC) is to fairly allocate federal and state tax credits to create and maintain safe quality affordable rental housing for low-income households in California by forming partnerships with developers, investors and public entities.

CTCAC works in public/private partnerships to assist with project development, while fulfilling its responsibilities as a credit agency through project compliance monitoring. CTCAC coordinates its functions with state and local housing fund providers and with private fund investors, when providing and maintaining quality, affordable housing.

The CTCAC consists of seven members, including the Treasurer who is designated as chairman, the Governor or Director of Finance, the State Controller, the Director of the Department of Housing and Community Development, the Executive Director of the California Housing Finance Agency, and two local government representatives.

3-YR EXPENDITURES AND PERSONNEL YEARS

| | Personnel Years | | | Expenditures | | |
|---|-----------------|-------------|-------------|-----------------|-----------------|-----------------|
| | 2010-11 | 2011-12 | 2012-13 | 2010-11* | 2011-12* | 2012-13* |
| 10 California Tax Credit Allocation Committee | 34.4 | 37.0 | 39.0 | \$5,415 | \$5,622 | \$6,012 |
| TOTALS, POSITIONS AND EXPENDITURES (All Programs) | 34.4 | 37.0 | 39.0 | \$5,415 | \$5,622 | \$6,012 |
| FUNDING | | | | 2010-11* | 2011-12* | 2012-13* |
| 0448 Occupancy Compliance Monitoring Account, Tax Credit Allocation Fee Account | | | | \$2,526 | \$3,274 | \$3,668 |
| 0457 Tax Credit Allocation Fee Account | | | | 2,821 | 2,288 | 2,284 |
| 0995 Reimbursements | | | | 68 | 60 | 60 |
| TOTALS, EXPENDITURES, ALL FUNDS | | | | \$5,415 | \$5,622 | \$6,012 |

LEGAL CITATIONS AND AUTHORITY

DEPARTMENT AUTHORITY

Internal Revenue Code Section 42; California Health and Safety Code Sections 50199.4 through 50199.22, Section 50199.51, and Section 50199.70; and California Revenue and Taxation Code Sections 12205.5, 12206, 17053.14, 17057.5, 17058, 23608.2, 23608.3, 23610.4, and 23610.5; Federal Tax Reform Act of 1986, Section 252 of Public Law No. 99-514 (October 22, 1986); Chapter 658, California Statutes of 1987, as amended; Chapter 1138, California Statutes of 1987, as amended; Internal Revenue Code, Title 26, Subtitle A, Chapter 1, Subchapter X, Section 1400E et seq., as amended.

DETAILED BUDGET ADJUSTMENTS

| | 2011-12* | | | 2012-13* | | |
|---|--------------|--------------|-----------------|--------------|--------------|-----------------|
| | General Fund | Other Funds | Personnel Years | General Fund | Other Funds | Personnel Years |
| Workload Budget Adjustments | | | | | | |
| Workload Budget Change Proposals | | | | | | |
| • New External Consulting Funding for Compliance Monitoring Asset Management Contract for ARRA Projects | \$- | \$473 | - | \$- | \$473 | - |
| • New Permanent Positions for Compliance Monitoring for Low Income Housing Tax Credit Program | - | - | - | - | 247 | 2.0 |
| Totals, Workload Budget Change Proposals | \$- | \$473 | - | \$- | \$720 | 2.0 |
| Other Workload Budget Adjustments | | | | | | |
| • Employee Compensation Adjustments | \$- | -\$36 | - | \$- | \$11 | - |
| • Retirement Rate Adjustment | - | 20 | - | - | 20 | - |
| • Pro Rata Adjustments | - | - | - | - | 95 | - |
| • Operational Efficiency | - | -29 | - | - | -28 | - |
| Totals, Other Workload Budget Adjustments | \$- | -\$45 | - | \$- | \$98 | - |
| Totals, Workload Budget Adjustments | \$- | \$428 | - | \$- | \$818 | 2.0 |
| Totals, Budget Adjustments | \$- | \$428 | - | \$- | \$818 | 2.0 |

PROGRAM DESCRIPTIONS

* Dollars in thousands, except in Salary Range.

0968 California Tax Credit Allocation Committee - Continued

10 - CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

The Federal Low Income Housing Tax Credit Program:

Congress authorized the federal program in 1986. It replaced traditional housing tax incentives, such as accelerated depreciation, with a tax credit that enables developers of affordable rental housing to raise project equity through the "sale" of tax benefits to investors.

As of 2011, each state has an annual housing credit ceiling of approximately \$2.15 per state resident, and may qualify for a share of credits available annually in a national pool comprised of states' unused credits. The annual housing credit ceiling is indexed for inflation. Investors can take the annual credit each year for a ten-year period.

The State Low Income Housing Tax Credit Program:

Recognizing the high cost of developing housing in California, the California Legislature authorized the State Low Income Housing Tax Credit Program to augment the federal tax credit program. Specifically, projects that are not receiving an increase in the federal credit basis may apply for and receive state credits. Of the state credit authority amount, \$500,000 annually is available as credit for farmworker housing projects.

The annual state credit ceiling is currently \$87.6 million, indexed for inflation (in addition to any unused or returned credits from previous years). Investors take the state credit over a four-year period in contrast to the ten-year federal allocation period. The full four-year state credit allocated to a project is deducted from the annual state credit ceiling.

Tax-Exempt Bond Financed Program:

Developments financed with tax-exempt bond proceeds may also receive federal tax credit. The sponsors of such projects must apply to the Committee and must conform to applicable federal and state statutory and regulatory requirements, but there is no annual "cap" on the amount of credit that may be awarded by the state to such developments. The annual credit available is based on approximately four percent (instead of the nine percent for projects that are not financed by a federal subsidy) of the "qualified basis" of the development, that is, the costs attributable to the units that will be income and rent restricted for a minimum of 30 years.

Under federal law, credit projects must remain affordable for at least 15 years; however, California's program generally requires maintaining affordability for 55 years. Land use agreements are recorded against each credit project to ensure compliance.

Farmworker Housing Tax Credit Program:

Chapter 521, Statutes of 2008 (SB 1267) folded the previous Farmworker Housing Assistance tax credits into the general State low-income housing tax credit program. While \$500,000 annually continues to be authorized for State tax credits in support of farmworker housing, the program now operates under the rules of the general State low-income housing tax credit program.

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

In 2009-10, CTCAC received approximately \$325 million in Tax Credit Assistance Program funds and approximately \$478 million in Section 1602 Grants in Lieu of Tax Credit funds as a result of the passage of the American Recovery and Reinvestment Act of 2009 (ARRA). These federal stimulus funds were awarded to 138 low income multi-family housing projects. Many projects receiving ARRA funds were unable to attract any investor capital for the Low-Income Housing Tax Credits and therefore needed the cash in lieu of the tax credits altogether. Other projects were able to attract investor capital for the tax credits, but at a lower than expected pay-in, leaving the project infeasible and therefore needing ARRA funds to fill the funding gap.

Virtually all of the projects have either been completed or are approaching completion in 2011. Under federal rules, all federal funds must be drawn down by either December 31, 2011, or February 16, 2012, depending on the federal funding source.

DETAILED EXPENDITURES BY PROGRAM

| | | <u>2010-11*</u> | <u>2011-12*</u> | <u>2012-13*</u> |
|-----------------------------|--|-----------------|-----------------|-----------------|
| PROGRAM REQUIREMENTS | | | | |
| 10 | CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE | | | |
| | State Operations: | | | |
| 0448 | Occupancy Compliance Monitoring Account, Tax Credit Allocation Fee Account | \$2,526 | \$3,274 | \$3,668 |
| 0457 | Tax Credit Allocation Fee Account | 2,609 | 2,152 | 2,148 |
| 0995 | Reimbursements | <u>68</u> | <u>60</u> | <u>60</u> |
| | Totals, State Operations | \$5,203 | \$5,486 | \$5,876 |

* Dollars in thousands, except in Salary Range.

0968 California Tax Credit Allocation Committee - Continued

| | 2010-11* | 2011-12* | 2012-13* |
|--|----------------|----------------|----------------|
| Local Assistance: | | | |
| 0457 Tax Credit Allocation Fee Account | \$212 | \$136 | \$136 |
| Totals, Local Assistance | \$212 | \$136 | \$136 |
| TOTALS, EXPENDITURES | | | |
| State Operations | 5,203 | 5,486 | 5,876 |
| Local Assistance | 212 | 136 | 136 |
| Totals, Expenditures | \$5,415 | \$5,622 | \$6,012 |

EXPENDITURES BY CATEGORY

| 1 State Operations | Positions/Personnel Years | | | Expenditures | | |
|---|---------------------------|-------------|-------------|----------------|----------------|----------------|
| | 2010-11 | 2011-12 | 2012-13 | 2010-11* | 2011-12* | 2012-13* |
| PERSONAL SERVICES | | | | | | |
| Authorized Positions (Equals Sch. 7A) | 34.4 | 37.0 | 37.0 | \$1,960 | \$2,172 | \$2,279 |
| Total Adjustments | - | - | 2.0 | - | - | 126 |
| Net Totals, Salaries and Wages | 34.4 | 37.0 | 39.0 | \$1,960 | \$2,172 | \$2,405 |
| Staff Benefits | - | - | - | 793 | 847 | 909 |
| Totals, Personal Services | 34.4 | 37.0 | 39.0 | \$2,753 | \$3,019 | \$3,314 |
| OPERATING EXPENSES AND EQUIPMENT | | | | \$2,450 | \$2,461 | \$2,556 |
| SPECIAL ITEMS OF EXPENSE | | | | \$- | \$6 | \$6 |
| TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations) | | | | \$5,203 | \$5,486 | \$5,876 |

2 Local Assistance

| | Expenditures | | |
|---|--------------|--------------|--------------|
| | 2010-11* | 2011-12* | 2012-13* |
| Grants and Subventions | \$212 | \$136 | \$136 |
| TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance) | \$212 | \$136 | \$136 |

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

| 1 STATE OPERATIONS | 2010-11* | 2011-12* | 2012-13* |
|--|----------------|----------------|----------------|
| 0448 Occupancy Compliance Monitoring Account, Tax Credit Allocation Fee Account | | | |
| APPROPRIATIONS | | | |
| 001 Budget Act appropriation | \$2,690 | \$2,829 | \$3,668 |
| Allocation for employee compensation | 9 | 4 | - |
| Adjustment per Section 3.60 | 40 | 13 | - |
| Adjustment per Section 3.90 | -71 | -27 | - |
| Adjustment per Section 3.91 | -105 | - | - |
| Adjustment per Section 3.91 (b) Operational Efficiency Plan | - | -18 | - |
| Revised expenditure authority per Provision 1 | - | 473 | - |
| 011 Budget Act appropriation (Loan to the General Fund) | (25,000) | (22,000) | - |
| Totals Available | \$2,563 | \$3,274 | \$3,668 |
| Unexpended balance, estimated savings | -37 | - | - |
| TOTALS, EXPENDITURES | \$2,526 | \$3,274 | \$3,668 |
| 0457 Tax Credit Allocation Fee Account | | | |
| APPROPRIATIONS | | | |
| 001 Budget Act appropriation | \$2,111 | \$2,163 | \$2,142 |
| Allocation for employee compensation | 6 | 2 | - |

* Dollars in thousands, except in Salary Range.

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| 1 STATE OPERATIONS | 2010-11* | 2011-12* | 2012-13* |
|---|----------------|----------------|----------------|
| Adjustment per Section 3.60 | 24 | 7 | - |
| Adjustment per Section 3.90 | -48 | -16 | - |
| Adjustment per Section 3.91 | -70 | - | - |
| Adjustment per Section 3.91 (b) Operational Efficiency Plan | - | -10 | - |
| Revised expenditure authority per Provision 1 | 1,036 | - | - |
| 011 Budget Act appropriation (Loan to the General Fund) | (25,000) | (13,000) | - |
| Health and Safety Code Section 50199.9(b) | - | 6 | 6 |
| Totals Available | \$3,059 | \$2,152 | \$2,148 |
| Unexpended balance, estimated savings | -450 | - | - |
| TOTALS, EXPENDITURES | \$2,609 | \$2,152 | \$2,148 |
| 0995 Reimbursements | | | |
| APPROPRIATIONS | | | |
| Reimbursements | \$68 | \$60 | \$60 |
| TOTALS, EXPENDITURES, ALL FUNDS (State Operations) | \$5,203 | \$5,486 | \$5,876 |
| 2 LOCAL ASSISTANCE | | | |
| 0457 Tax Credit Allocation Fee Account | | | |
| APPROPRIATIONS | | | |
| Health and Safety Code Section 50199.9(b) | \$212 | \$136 | \$136 |
| TOTALS, EXPENDITURES | \$212 | \$136 | \$136 |
| TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance) | \$212 | \$136 | \$136 |
| TOTALS, EXPENDITURES, ALL FUNDS (State Operations and Local Assistance) | \$5,415 | \$5,622 | \$6,012 |
| <hr/> | | | |
| FUND CONDITION STATEMENTS | | | |
| | 2010-11* | 2011-12* | 2012-13* |
| 0448 Occupancy Compliance Monitoring Account, Tax Credit Allocation Fee Account ^s | | | |
| BEGINNING BALANCE | \$58,264 | \$37,299 | \$19,892 |
| Prior year adjustments | -44 | - | - |
| Adjusted Beginning Balance | \$58,220 | \$37,299 | \$19,892 |
| REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS | | | |
| Revenues: | | | |
| 125600 Other Regulatory Fees | 6,560 | 7,787 | 3,993 |
| 150300 Income From Surplus Money Investments | 48 | 90 | 90 |
| Transfers and Other Adjustments: | | | |
| TO0001 To General Fund loan per Item 0968-011-0448, Budget Act of 2010 and 2011 | -25,000 | -22,000 | - |
| Total Revenues, Transfers, and Other Adjustments | -18,392 | -14,123 | 4,083 |
| Total Resources | \$39,828 | \$23,176 | \$23,975 |
| EXPENDITURES AND EXPENDITURE ADJUSTMENTS | | | |
| Expenditures: | | | |
| 0840 State Controller (State Operations) | 2 | 2 | 3 |
| 0968 California Tax Credit Allocation Committee (State Operations) | 2,526 | 3,274 | 3,668 |
| 8880 Financial Information System for California (State Operations) | 1 | 8 | 2 |
| Total Expenditures and Expenditure Adjustments | \$2,529 | \$3,284 | \$3,673 |
| FUND BALANCE | \$37,299 | \$19,892 | \$20,302 |
| Reserve for economic uncertainties | 37,299 | 19,892 | 20,302 |
| 0457 Tax Credit Allocation Fee Account ^s | | | |
| BEGINNING BALANCE | \$39,700 | \$16,291 | \$5,575 |
| Prior year adjustments | -16 | - | - |
| Adjusted Beginning Balance | \$39,684 | \$16,291 | \$5,575 |

* Dollars in thousands, except in Salary Range.

0968 California Tax Credit Allocation Committee - Continued

| | 2010-11* | 2011-12* | 2012-13* |
|---|------------------|-----------------|----------------|
| REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS | | | |
| Revenues: | | | |
| 125600 Other Regulatory Fees | 4,370 | 4,500 | 4,500 |
| 150300 Income From Surplus Money Investments | 43 | 81 | 91 |
| 161000 Escheat of Unclaimed Checks & Warrants | 18 | - | - |
| Transfers and Other Adjustments: | | | |
| TO0001 To General Fund loan per Item 0968-011-0457, Budget Act of 2010 and 2011 | <u>-25,000</u> | <u>-13,000</u> | <u>-</u> |
| Total Revenues, Transfers, and Other Adjustments | <u>-\$20,569</u> | <u>-\$8,419</u> | <u>\$4,591</u> |
| Total Resources | \$19,115 | \$7,872 | \$10,166 |
| EXPENDITURES AND EXPENDITURE ADJUSTMENTS | | | |
| Expenditures: | | | |
| 0840 State Controller (State Operations) | 2 | 2 | 2 |
| 0968 California Tax Credit Allocation Committee | | | |
| State Operations | 2,609 | 2,152 | 2,148 |
| Local Assistance | 212 | 136 | 136 |
| 8880 Financial Information System for California (State Operations) | <u>1</u> | <u>7</u> | <u>2</u> |
| Total Expenditures and Expenditure Adjustments | <u>\$2,824</u> | <u>\$2,297</u> | <u>\$2,288</u> |
| FUND BALANCE | \$16,291 | \$5,575 | \$7,878 |
| Reserve for economic uncertainties | 16,291 | 5,575 | 7,878 |
| 3038 Community Revitalization Fee Fund ^s | | | |
| BEGINNING BALANCE | \$3 | \$1 | \$1 |
| Prior year adjustments | <u>-2</u> | <u>-</u> | <u>-</u> |
| Adjusted Beginning Balance | <u>\$1</u> | <u>\$1</u> | <u>\$1</u> |
| FUND BALANCE | \$1 | \$1 | \$1 |
| Reserve for economic uncertainties | 1 | 1 | 1 |

CHANGES IN AUTHORIZED POSITIONS

| | <u>Positions/Personnel Years</u> | | | <u>Expenditures</u> | | |
|---|----------------------------------|-------------|-------------|---------------------|----------------|----------------|
| | 2010-11 | 2011-12 | 2012-13 | 2010-11* | 2011-12* | 2012-13* |
| Totals, Authorized Positions | 34.4 | 37.0 | 37.0 | \$1,960 | \$2,172 | \$2,279 |
| Proposed New Positions: Compliance BCP | | | | | | |
| Staff Services Mgr I | - | - | 1.0 | 5,079-6,127 | - | 67 |
| Assoc Govtl Prog Analyst | <u>-</u> | <u>-</u> | <u>1.0</u> | <u>4,400-5,348</u> | <u>-</u> | <u>59</u> |
| Totals Proposed New Positions | <u>-</u> | <u>-</u> | <u>2.0</u> | <u>\$-</u> | <u>\$-</u> | <u>\$126</u> |
| TOTALS, SALARIES AND WAGES | 34.4 | 37.0 | 39.0 | \$1,960 | \$2,172 | \$2,405 |

* Dollars in thousands, except in Salary Range.