

Date of Hearing: June 27, 2018

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

SB 912 (Beall) – As Amended June 20, 2018

**SENATE VOTE:** Not relevant

**SUBJECT:** California Housing Finance Agency: management compensation

**SUMMARY:** Revises the key exempt management positions for which the California Housing Finance Agency (CalHFA) board of directors can establish compensation. Specifically, **this bill:** Replaces "director of insurance" and the "financial risk management director" with the "director of enterprise risk management and compliance" and "risk manager."

**EXISTING LAW:**

- 1) Requires there to be within CalHFA a director of enterprise risk management and compliance appointed by the Governor and serving at the pleasure of the executive director of the agency. Requires the director of enterprise risk management and compliance to assist in the implementation of processes, tools, and systems to identify, assess, measure, manage, monitor, and mitigate risks related to the development of new programs or changes to existing law or regulations that may result in new or increased risk to the agency, as well as other duties as may be required by the executive director.
- 2) Authorizes the board of directors of CalHFA to establish in the agency's annual budget the compensation of key exempt management, including the executive director, the chief deputy director, the general counsel, the director of financing, the director of insurance, and the financial risk management director in amounts that are reasonably necessary, in the discretion of the board, to attract and hold a person of superior qualifications.
- 3) Requires the board of directors to conduct a salary survey using an independent outside advisors.

**FISCAL EFFECT:** Unknown.

**COMMENTS:**

*Background:* Established in 1975, CalHFA was chartered as the state's affordable housing bank to make below market-rate loans through the sale of tax-exempt bonds. CalHFA is a self-supporting entity, and its debts, including those related to the compensation and retirement costs of its employees are separate from the State of California. Investor capital, through the sale of bonds, provides the Agency's source of revenue; not taxpayers' proceeds. Existing statutes and bond indentures state that the Agency's debts are not a debt or liability of the State or any political subdivision thereof and are not backed by the faith and credit of the State of California. Each year CalHFA's Board of Directors enacts a business plan including an operating budget containing salaries. Existing law requires CalHFA to prepare a budget on or before December 1 each year which is reviewed by the Secretary of Business, Consumer Services, and Housing Agency, the Director of Finance, and the Joint Legislative Budget Committee. In addition the

CalHFA is required to have open and public meetings of the board of directors and committees, except when in executive session for a reason provided under law.

CalHFA receives an issuer credit rating that is separate from the State of California. In addition to other elements including asset quality, debt and financial strength the credit rating is dependent up the expertise of the management personnel. In 2006, Standard and Poors took specific note of the Agency's difficulty in attracting and retaining experienced management because of non-competitive salaries. SB 257 (Chesboro), Chapter 748, Statutes of 2006, clarified CalHFA's authority to offer competitive salaries to key exempt management positions. To determine the compensation for key positions, CalHFA must conduct salary surveys using an independent outside adviser. The Department of Human Resources is required to review the methodology used for the salary survey.

This bill would change the list of exempt management positons for which the CalHFA board has discretion to establish salaries that are reasonably necessary to attract and retain a person of superior qualifications. The positon of director of insurance no longer exists; this bill deletes that title from statute. In 2016, SB 857 (Committee on Budget and Fiscal Review) Chapter 837 required CalHFA to have a director of enterprise management and compliance. This bill would add that position to the list of exempt management positons in statute. In addition, the bill deletes the position of financial risk management director and replaces it with a broader risk manager position that oversees and analyzes risks to CalHFA beyond and including financial risk.

#### **REGISTERED SUPPORT / OPPOSITION:**

##### **Support**

None on file

##### **Opposition**

None on file

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