

Government Reorganization Plan
Governor Gavin Newsom
2025

The current organizational structure of the Business, Consumer Services and Housing Agency (“BCSH” or “Agency”) has not kept pace with the scope and variety of policy challenges it is tasked with addressing. Since its creation in 2012, the Agency has grown significantly, reflecting California’s increased focus on addressing our state’s housing and homelessness challenges, and expanding consumer protections. Specifically, the number of total authorized positions and member departments under its purview has grown by nearly 50 percent.

This growth highlights the Agency’s expanded responsibilities and the shared policy priorities between the Legislature and my Administration in addressing these policy areas. To that end, this reorganization plan will streamline operations, improve coordination, and accelerate progress on these critical issues.

Reorganizing the Business, Consumer Services and Housing Agency

At the agency level, BCSH will be split into two agencies:

- California Housing and Homelessness Agency (CHHA): Housing, homelessness, and civil rights functions.
- Business and Consumer Services Agency (BCSA): Consumer protection and business regulation.

During the consideration of the Governmental Reorganization Plan (GRP) 2 in 2012, which led to the creation of BCSH, the Legislature noted concerns with combining departments with minimal policy or functional overlap into a single agency. This GRP will address this fragmentation by consolidating all housing, homelessness, and civil rights entities within the new CHHA, and all consumer protection entities within the new BCSA. This will strengthen and better align the missions and functions of the two agencies and the respective departments they oversee.

California Housing and Homelessness Agency

The California Housing and Homelessness Agency (CHHA) will be responsible for coordinating all state housing and homelessness efforts. This includes addressing the full spectrum of Californians’ housing needs, from efforts to prevent and end homelessness to supporting low-income renters and first-time homebuyers. The agency will also be responsible for advancing civil rights laws and protections,

including efforts to advance and enforce fair housing and equal employment protections.

The Little Hoover Commission has highlighted, through several reports, the need to increase housing supply, consolidate housing finance functions, and leverage data to optimize policy development. CHHA will integrate housing programs, streamline policies, and simplify the administration of our state affordable housing programs.

Entities Included:

- Department of Housing and Community Development
- California Interagency Council on Homelessness
- California Housing Finance Agency
- Civil Rights Department
- Housing Development and Finance Committee – *new*

New Housing Development and Finance Committee

The Housing Development and Finance Committee (“HDFC” or “Committee”) will promote transparency, coordination, and alignment of state affordable housing resources by:

- Overseeing the development of a single application and award process for affordable housing funding.
- Aligning programs and funding opportunities across state government to reduce the time and cost it takes to build new housing, including in rural and tribal communities.
- Approving program guidelines and awards in public meetings.
- Providing oversight for multifamily affordable housing programs administered by the Committee and recommendations regarding the alignment of multifamily housing programs across CHHA departments.
- Streamlining asset management for affordable housing developments that have regulatory agreements with multiple state agencies.

The Committee staff will carry out the following responsibilities under the strategic direction of an executive committee, comprising of the Secretary of Housing and Homelessness, the Director of the Department of Housing and Community Development, and the Executive Director of the California Housing Finance Agency.

Key Responsibilities:

- Consolidate existing developer-facing multifamily affordable housing finance programs, including those currently under HCD's Division of State Financial Assistance and the CalHFA Mixed Income Program.
- Facilitate a one-stop shop for developer-facing multifamily affordable housing finance programs.
- Implement the phased transfer of specified developer-facing affordable housing finance programs from HCD in a manner that provides operational continuity and no disruption to funding or services.
- Administer aligned asset management and compliance monitoring across these programs.

The creation of HDFC to administer developer-facing multifamily affordable housing programs will streamline the management and oversight of housing funding across the state, improving efficiency and reducing the administrative burden for housing developers. By consolidating these programs under one entity, HDFC will align programmatic requirements across related initiatives and enhance long-term monitoring and compliance. This centralized approach will improve accountability and support data-driven decision-making.

Changes to Existing Entities

Developer-facing multifamily affordable housing financing programs, including the CalHFA Mixed Income Program and programs in the Multifamily Super Notice of Funding Availability, will be transferred to the new Housing Development and Finance Committee during a multi-year phased implementation.

Unchanged Areas

HCD will continue to build on its efforts in promoting safe, affordable housing with a specific focus on the administration of government-to-government financing. Existing divisions within HCD will remain unchanged, including those responsible for serving local governments, administering federal disaster recovery funds, overseeing housing policy and planning, enforcing fair housing laws, and regulating building codes and standards. These programs will continue to operate within HCD and maintain their current roles and responsibilities.

By focusing HCD's efforts on government-to-government financing programs, this structure will strengthen its housing planning and accountability work with local governments. It will also streamline the management and oversight of funding programs specifically tailored to intergovernmental contractual relationships, providing greater operational efficiencies while furthering the state-local partnership on housing policy and development.

The California Interagency Council on Homelessness (Council) will be established as a separate business unit within the CHHA. The reorganization will also clarify the distinction between the Council staff, which includes staff responsible for handling day-to-day operations, and the new Executive Council, which renames the existing state-level coordinating council currently Co-Chaired by the BCSH Secretary and HHS Secretary. There are no changes to the composition of the Executive Council, and the Cal ICH Executive Officer will continue to report to the CHHA Secretary and maintain their existing responsibilities and mandates.

Streamlining Housing Governance to Improve Outcomes and Reduce Costs

The creation of a state agency exclusively focused on overseeing the administration of state housing and homelessness resources and policy development will provide clear authority and accountability for addressing these statewide priorities. The creation of the Housing Development and Finance Committee (HDFC) to oversee developer-facing multifamily affordable housing programs will further enhance efficiency by centralizing key functions.

Research consistently shows that centralizing housing and homelessness functions improves administrative efficiency, accelerates project execution, reduces carrying costs, and maximizes state investments. These efforts will aim to lower per-unit subsidy costs and accelerate production, consistent with the Little Hoover Commission's 2022 report, *California Housing: Building a More Sustainable Future*. By streamlining operations, reducing costs to develop housing, and making more efficient use of limited state resources, this reorganization will create a more sustainable housing system and deliver better outcomes.

Business and Consumer Services Agency

The establishment of the Business and Consumer Services Agency (BCSA) will strengthen the state's ability to protect consumers by providing focused leadership and oversight across a wide range of industries. The BCSA will be responsible for regulating over 4 million licensed professionals and businesses.

Over recent years, the consumer protection portfolio has expanded to include the regulation of new industries and to address emerging issues impacting consumers. Notable additions include the regulation of the legalized cannabis industry, culminating in the Department of Cannabis Control, and the shift of the Bureau of Real Estate to the Department of Real Estate as a standalone department in 2018.

Additionally, the 2020 reorganization of the Department of Business Oversight into the Department of Financial Protection and Innovation (DFPI), through the enactment of the California Consumer Financial Protection Law (CCFPL), expanded its authority to protect consumers and regulate emerging financial products. The CCFPL enhanced the Department's ability to protect consumers from predatory businesses and regulate emerging financial products. DFPI's recent growth reflects California's leadership in consumer financial protection amid a changing federal regulatory landscape.

Modernizing Operations to Enhance Efficiency and Address Emerging Challenges

Given the significant expansion of consumer protection mandates at the state level, it is essential for the state to have a dedicated agency focused on consumer protection to maintain California's leadership in this area and ensure protections for all Californians. This agency will improve regulatory efficiency with a specific focus on harmonizing standards and best practices for licensing, enforcement, education, and professional conduct across its member departments.

This structure will enhance communication and collaboration within BCSA , fostering a proactive approach to addressing emerging risks and needs. With a strong focus on consumer protection, the agency will implement effective tools that span across departments. Additionally, a centralized consumer protection and business oversight agency will speed up efforts to modernize operations by updating systems and processes, making licensing, renewals, and other services faster and more efficient for both consumers and licensees.

Entities Included:

- Department of Alcoholic Beverage Control
- Alcoholic Beverage Control Appeals Board
- Department of Cannabis Control
- Cannabis Control Appeal Panel
- Department of Consumer Affairs
- Department of Financial Protection and Innovation

- California Horse Racing Board
- Department of Real Estate

Implementation Timeline

The implementation of the reorganization plan will begin upon enactment. By July 2026, BCSH will be dissolved, and the new CHHA and BCSEA will become operational. The phased transfer of staff and programs from HCD to the Housing Development and Finance Committee will take place over multiple fiscal years, with position and funding transfers subject to appropriation in future budget change proposals. Further details on the timing and scope of the implementation of this GRP will be provided through future budget proposals.

This GRP affects administration alignment and coordination; it does not alter the degree of policy independence held by independent or quasi-independent boards, commissions, and similar entities under existing law.