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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair  
2025 - 2026 Regular Session

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### AB 1229 (Schultz) - Adult Reentry Grant Program

**Version:** July 2, 2025

**Urgency:** No

**Hearing Date:** August 18, 2025

**Policy Vote:** HOUSING 10-1, PUB. S. 5-1

**Mandate:** No

**Consultant:** Mark McKenzie

**Bill Summary:** AB 1229 would codify the Adult Reentry Grant (ARG) Program, transfer administration of the program from the Board of State and Community Corrections (BSCC) to the Department of Housing and Community Development (HCD), and make specified changes to the program.

#### Fiscal Impact:

- HCD estimates ongoing costs of approximately \$1.2 million (General Fund) for 6.0 PY of permanent staff to facilitate the transfer of the program to HCD, develop and issue program guidelines, issue notices of funding availability for awarding funds to regional administrators, and for ongoing administration of the program. HCD notes that the transfer of the program may involve transfers of existing BSCC staff to HCD, but staff notes that the bill requires BSCC to continue to oversee and administer existing grants using resources allocated by the 2025 Budget Act. As noted below, BSCC has begun to administer the Cohort 4 funding round from the \$37 million appropriated in the Budget Act, and expects to conclude administration of that round at the end of 2028.
- HCD also estimates one-time contract costs of approximately \$500,000 to hire an independent evaluator to assess the outcomes of the program. Staff notes that the bill requires HCD to hire the evaluator upon implementation of the program, but the assessment of program outcomes is to be based on annual reports submitted by regional administrators. As such, it is unclear whether those contract costs would be incurred in the first year, or in a future fiscal year, after sufficient data on program outcomes have been reported by regional administrators. HCD must submit the assessment to the Legislature by July 1, 2030. (General Fund)
- The Department of Corrections and Rehabilitation (CDCR) anticipates a minimal fiscal impact as the requirements of the bill, including an assessment for individuals within 210 days of their scheduled release, aligns with the department's current practice. (General Fund)
- Unknown, likely minor costs for the Department of Health Care Services (DHCS) to work collaboratively with HCD to establish a process for referrals of people eligible to participate in the program. (General Fund)

**Background:** Many of the 40,000 Californians released from prison every year fall into homelessness. As of February 2025, 15% of people on parole were unhoused, nearly all unsheltered. Studies indicate that formerly incarcerated individuals are roughly 10

times more likely to experience homelessness relative to the general population, and parolees are seven times more likely to recidivate when homeless than when housed.

The Budget Act of 2018 (SB 840, Mitchell, Chap. 29/2028) appropriated \$50 million to the BSCC for a program to award competitive grants to community-based organizations to support people formerly incarcerated in state prison, and required specified amounts of those funds be used for, among other things, rental assistance, rehabilitation of existing property or buildings, and to support the warm hand-off and reentry of offenders transitioning from prison to communities. This program, which is known as the ARG Program, has received General Fund appropriations almost every year in the annual state budget, with up to 5% of the funds made available to BSCC for its administrative costs, as follows: \$37 million in 2020-21; \$67 million in 2021-22; \$57 million in 2022-23; \$57 million in 2024-25; and \$37 million in 2025-26.

There have been four ARG Program grant cohorts. The grants in each cohort are separated by category: rental assistance grants and warm hand-off reentry services grants. The first cohort grant period ran from July 2019 to February 2023, with 69 grantees receiving \$65.7 million, more than half of which funded rental assistance grants. The grants for the second cohort ran for different periods because the rental assistance grants for this round were expedited to aid early prison releases during the COVID-19 pandemic. The grant period for rental assistance grantees ran from September 2020 to February 2023, and eight community-based organizations from the ranked list of unfunded applicants in the previous round of grant recipients were awarded \$17.5 million. There were 39 warm hand-off grantees who received \$17.5 million, and the grant period ran from July 2021 to February 2025. Data on the outcomes of Cohort 2 warm hand-off project participants indicated that more than 7,500 participants enrolled, half of whom had been released from prison within the six months prior to enrollment. Of participants who successfully completed a program, 31.1% were placed into housing, 35% experienced improved employment, and 42.5% experienced improved protective factors.

For Cohort 3, which runs from October 2022 to April of 2026, 23 rental assistance grantees were awarded over \$58 million and 79 warm hand-off grantees were awarded over \$58 million. For Cohort 4, which runs from July 2025 to December 2028, over \$108 million in overall funding is available for equal distribution to rental assistance grantees and warm hand-off grantees. A final evaluation report and program evaluation is due on December 31, 2028.

In October 2024, Governor Newsom announced a partnership between HCD and CDCR to create long-term supportive housing and comprehensive wrap-around services for individuals leaving prison. The federally-funded Reentry Housing Pilot Project accepted applications through the end of last year. HCD is administering the program and expects to announce awards.

**Proposed Law:** AB 1229 would codify the ARG Program, transfer administration of the program from the BSCC to HCD, and make specified changes to the program. Specifically, this bill would:

- Require HCD to begin administering the ARG Program on July 1, 2026, upon appropriation of funds for this purpose.

- Require HCD to do all of the following by December 31, 2026:
  - Modify the ARG Program to provide grants to geographically diverse regional administrators responsible for funding permanent supportive housing and reentry services for eligible persons.
  - Issue proposed guidelines establishing the grant program, or a draft notice of funding availability (NOFA), to select regional administrators for five-year renewable grants. The guidelines or draft NOFA must include specified requirements for regional administrators to demonstrate appropriate experience, relationships, and plans to meet the bill's requirements, as specified.
  - Establish criteria to competitively score applicants for grant funding as regional administrators, as specified.
  - Work collaboratively with DHCS, CDCR, homeless continuums of care (COCs), and seek to work collaboratively with county probation departments to establish a process for referrals of eligible program participants.
  - Establish benchmarks to promote and track program outcomes, as specified.
- Specify that HCD may use up to 5% of program funds for the first two years of the program, and up to 3% of funds in subsequent years, for its administrative costs.
- Require the BSCC to continue to oversee and administer existing grants that have not yet expired, using resources allocated to the board, including funds allocated by Budget Act of 2025,
- Specify that a person is eligible for participation in the program if they voluntarily choose to participate and either of the following apply:
  - The individual has an assigned release date from prison within 30-180 days and is likely to become homeless upon release.
  - The individual is currently experiencing homelessness as a person on parole or post-release community supervision, and has been incarcerated within the past five years.
- Require regional administrators and subrecipients to use program funds for specified eligible activities, including reasonable administrative fees, assistance necessary for housing stability and community reentry (which may include rental subsidies, operating subsidies, incentives to landlords, services to assist in transitioning from prison to the community, and evidence-based supported employment services), and operating support for interim interventions while awaiting referral to permanent housing, as specified.
- Require the regional administrator or subrecipient provider, upon receipt of the referral of a participant identified prior to release from prison, to collaborate with the parole agent or probation officer, and when possible, to do all of the following:
  - Draft a plan for the participant's transition into permanent housing in collaboration with the participant.
  - Engage the participant to actively participate in services upon release on a voluntary basis.
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  - Assist the participant in obtaining identification and other documentation the participant may need to access housing and services.
  - Assist the participant in applying for any benefits for which the participant is eligible.

- Require a regional administrator or subrecipient to take specified actions in providing reentry services, housing, community supports, and supported employment.
- Require regional administrators or subrecipients to identify specified housing opportunities for participants prior to release from prison or as quickly upon release from prison as possible, or as quickly as possible when participants are identified during parole or post-release community supervision.
- Require HCD to distribute funds by executing contracts with awarded regional administrators for a term of five years, subject to automatic renewal, provided the regional administrator complies with the provisions of this bill and has achieved the benchmarks identified by HCD. Any unexpended funds would revert to HCD one year after a contract has expired.
- Require regional administrators to submit an annual report to HCD, pertaining to the recipient's program, provider selection process, contract expenditures, and progress toward meeting state goals, and specify the disaggregated data that regional administrators must report to HCD.
- Require HCD, upon implementation of the program, to design an evaluation and hire an independent evaluator to assess outcomes from the program based upon an analysis of data submitted by regional administrators in their annual reports.
- Require HCD to submit the evaluation of the program to the Legislature by July 1, 2030.
- Require CDCR to establish a process for engaging an individual scheduled for discharge within at least 210 days of the scheduled release date, for the purpose of assessing the individual's risk of homelessness upon discharge, as specified.
- Prohibit CDCR from using any of the answers provided in their assessment to lengthen an individual's term or to otherwise punish or discipline the individual.

**Related Legislation:** AB 722 (Avila Farias), which was held on the Assembly Appropriations Committee's Suspense File this year, would have established the Reentry Housing and Workforce Development Program within HCD to provide stable housing and workforce training for recently incarcerated individuals experiencing or at risk of homelessness.

SB 840 (Mitchell), Chap. 29/2018, the 2018 Budget Act, included an appropriation of \$50 million to the BSCC for establishment of the ARG Program.

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