

Assembly Bill No. 1618

Passed the Assembly June 30, 2016

Chief Clerk of the Assembly

Passed the Senate June 27, 2016

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2016, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to amend Sections 5830 5845, 5847, 5848, 5897, and 5899 of, and to add Part 3.9 (commencing with Section 5849.1) to Division 5 of, the Welfare and Institutions Code, relating to mental health services, and making an appropriation therefor, to take effect immediately, bill related to the budget.

LEGISLATIVE COUNSEL'S DIGEST

AB 1618, Committee on Budget. Mental health services.

(1) The Mental Health Services Act (MHSA), an initiative measure enacted by the voters as Proposition 63 at the November 2, 2004, statewide general election, imposes a 1% tax on that portion of a taxpayer's taxable income that exceeds \$1,000,000 and requires that the revenue from that tax be deposited in the Mental Health Services Fund to fund various county mental health programs. The MHSA authorizes the Legislature to amend its provisions by a $\frac{2}{3}$ vote, provided that the amendment is consistent with and furthers the intent of the act.

This bill would establish the No Place Like Home Program, to be administered by the Department of Housing and Community Development. The bill would require the department to award \$2,000,000,000 through a competitive program among counties to finance capital costs, including, but not limited to, acquisition, design, construction, rehabilitation, or preservation, and to capitalize operating reserves, of permanent supportive housing for the target population, as specified. The bill would further require the department to allocate \$1,800,000,000 to a competitive program, as specified, and would require that applicants meet specified requirements to be eligible to apply for funding and would require the department to evaluate applications using specified criteria. The bill would require the department to award moneys in four rounds, as provided. The bill would require the department to allocate \$200,000,000 among all counties within this state in amounts based on a calculation of the number of homeless persons residing in each county or in \$500,000 amounts, whichever is greater for each county. The bill would establish, and continuously appropriate, the No Place Like Home Fund for these

purposes. The bill would also appropriate \$6,200,000 from the Mental Health Services Fund to the department to provide technical and application preparation assistance to counties. The bill would require counties to annually report to the department on activities funded under these provisions, as provided.

This bill would establish the No Place Like Home Program Advisory Committee, as specified, and require the committee to assist and advise the department in the implementation of the program, review and make recommendations on the department's guidelines, review the department's progress in distributing moneys pursuant to the program, and provide advise and guidance on statewide homelessness issues. The bill would also require the department to submit a report on the program to the Legislature by December 31 of each year, as specified, and, upon an appropriation for that purpose, to contract with a public or private research university in this state to evaluate the program, as provided.

(2) The MHSA, among other things, requires county health programs to develop plans for innovative programs, to be funded as provided, and requires that the innovative program have specified purposes, including increasing access to services. Existing law requires that the projects included in the innovative program portion of a county health plan meet specified requirements, including increasing access to underserved groups and increasing access to services.

This bill would specify that the services required to be provided through these programs, among other things, may include the provision of permanent supportive housing.

(3) The MHSA, among other things, establishes the Mental Health Services Oversight and Accountability Commission to oversee the administration of various parts of the act. Existing law requires the commission to consist of 16 voting members, including, among others, persons with mental illness, family members of persons with mental illness, a physician, a mental health professional, a county sheriff, a superintendent of a school district, a representative of a labor organization, a representative of an employer, as specified, and a representative of a health care services plan or insurer.

This bill would require one of the persons described above to have a background in auditing.

Existing law requires each county mental health program to prepare and submit a 3-year program and expenditure plan and annual updates to the commission, as specified. Existing law requires the plans to include reports on the achievement of performance outcomes for services, as specified.

This bill would require the 3-year program and expenditure plan to also be submitted to the State Department of Health Care Services. The bill would require the department to post on its website the three-year program and expenditure plan submitted by every county and a summary of the performance outcomes submitted by counties, as specified.

(4) The MHSA, among other things, requires the State Department of Health Care Services to implement various parts of the act through the annual county mental health services performance contract, as specified. Existing law, when a county mental health program is not in compliance with its performance contract, authorizes the department to request a plan of correction with a specific timeline to achieve improvements.

This bill would require the department to conduct program reviews of performance contracts to determine compliance and would require each county performance contract to be reviewed at least once every 3 years. The bill would also require the department to post on its website any plans of correction requested and the related findings.

(5) The MHSA, among other things, requires the State Department of Health Care Services, in consultation with the Mental Health Services Oversight and Accountability Commission and the County Behavioral Health Directors Association of California, to develop and administer instructions for the Annual Mental Health Services Act and Expenditure Report. Existing law requires the report to be submitted electronically to the department and the commission.

This bill would require the instructions to include a requirement that the county certify the accuracy of the report described above. The bill would require the department and commission to post each county's report on its website, as specified. The bill would also require the department, in consultation with the commission and the County Behavioral Health Directors Association of California, to revise the instructions described above, as specified. The bill, if a county does not submit the report described above

by the required deadline, would authorize the department to withhold MHSA funds until the reports are submitted.

(6) This bill would declare that its provisions further the intent of the MHSA.

(7) This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 5830 of the Welfare and Institutions Code is amended to read:

5830. County mental health programs shall develop plans for innovative programs to be funded pursuant to paragraph (6) of subdivision (a) of Section 5892.

(a) The innovative programs shall have the following purposes:

(1) To increase access to underserved groups.

(2) To increase the quality of services, including better outcomes.

(3) To promote interagency collaboration.

(4) To increase access to services, including, but not limited to, services provided through permanent supportive housing.

(b) All projects included in the innovative program portion of the county plan shall meet the following requirements:

(1) Address one of the following purposes as its primary purpose:

(A) Increase access to underserved groups, which may include providing access through the provision of permanent supportive housing.

(B) Increase the quality of services, including measurable outcomes.

(C) Promote interagency and community collaboration.

(D) Increase access to services, which may include providing access through the provision of permanent supportive housing.

(2) Support innovative approaches by doing one of the following:

(A) Introducing new mental health practices or approaches, including, but not limited to, prevention and early intervention.

(B) Making a change to an existing mental health practice or approach, including, but not limited to, adaptation for a new setting or community.

(C) Introducing a new application to the mental health system of a promising community-driven practice or an approach that has been successful in nonmental health contexts or settings.

(D) Participating in a housing program designed to stabilize a person's living situation while also providing supportive services on site.

(c) An innovative project may affect virtually any aspect of mental health practices or assess a new or changed application of a promising approach to solving persistent, seemingly intractable mental health challenges, including, but not limited to, any of the following:

(1) Administrative, governance, and organizational practices, processes, or procedures.

(2) Advocacy.

(3) Education and training for service providers, including nontraditional mental health practitioners.

(4) Outreach, capacity building, and community development.

(5) System development.

(6) Public education efforts.

(7) Research.

(8) Services and interventions, including prevention, early intervention, and treatment.

(9) Permanent supportive housing development.

(d) If an innovative project has proven to be successful and a county chooses to continue it, the project workplan shall transition to another category of funding as appropriate.

(e) County mental health programs shall expend funds for their innovation programs upon approval by the Mental Health Services Oversight and Accountability Commission.

SEC. 2. Section 5845 of the Welfare and Institutions Code is amended to read:

5845. (a) The Mental Health Services Oversight and Accountability Commission is hereby established to oversee Part 3 (commencing with Section 5800), the Adult and Older Adult Mental Health System of Care Act; Part 3.1 (commencing with Section 5820), Human Resources, Education, and Training Programs; Part 3.2 (commencing with Section 5830), Innovative

Programs; Part 3.6 (commencing with Section 5840), Prevention and Early Intervention Programs; and Part 4 (commencing with Section 5850), the Children’s Mental Health Services Act. The commission shall replace the advisory committee established pursuant to Section 5814. The commission shall consist of 16 voting members as follows:

- (1) The Attorney General or his or her designee.
 - (2) The Superintendent of Public Instruction or his or her designee.
 - (3) The Chairperson of the Senate Health and Human Services Committee or another member of the Senate selected by the President pro Tempore of the Senate.
 - (4) The Chairperson of the Assembly Health Committee or another member of the Assembly selected by the Speaker of the Assembly.
 - (5) Two persons with a severe mental illness, a family member of an adult or senior with a severe mental illness, a family member of a child who has or has had a severe mental illness, a physician specializing in alcohol and drug treatment, a mental health professional, a county sheriff, a superintendent of a school district, a representative of a labor organization, a representative of an employer with less than 500 employees and a representative of an employer with more than 500 employees, and a representative of a health care services plan or insurer, all appointed by the Governor. In making appointments, the Governor shall seek individuals who have had personal or family experience with mental illness. At least one of the persons appointed pursuant to this paragraph shall have a background in auditing.
- (b) Members shall serve without compensation, but shall be reimbursed for all actual and necessary expenses incurred in the performance of their duties.
 - (c) The term of each member shall be three years, to be staggered so that approximately one-third of the appointments expire in each year.
 - (d) In carrying out its duties and responsibilities, the commission may do all of the following:
 - (1) Meet at least once each quarter at any time and location convenient to the public as it may deem appropriate. All meetings of the commission shall be open to the public.

(2) Within the limit of funds allocated for these purposes, pursuant to the laws and regulations governing state civil service, employ staff, including any clerical, legal, and technical assistance as may appear necessary. The commission shall administer its operations separate and apart from the State Department of Health Care Services and the California Health and Human Services Agency.

(3) Establish technical advisory committees such as a committee of consumers and family members.

(4) Employ all other appropriate strategies necessary or convenient to enable it to fully and adequately perform its duties and exercise the powers expressly granted, notwithstanding any authority expressly granted to any officer or employee of state government.

(5) Enter into contracts.

(6) Obtain data and information from the State Department of Health Care Services, the Office of Statewide Health Planning and Development, or other state or local entities that receive Mental Health Services Act funds, for the commission to utilize in its oversight, review, training and technical assistance, accountability, and evaluation capacity regarding projects and programs supported with Mental Health Services Act funds.

(7) Participate in the joint state-county decisionmaking process, as contained in Section 4061, for training, technical assistance, and regulatory resources to meet the mission and goals of the state's mental health system.

(8) Develop strategies to overcome stigma and discrimination, and accomplish all other objectives of Part 3.2 (commencing with Section 5830), 3.6 (commencing with Section 5840), and the other provisions of the act establishing this commission.

(9) At any time, advise the Governor or the Legislature regarding actions the state may take to improve care and services for people with mental illness.

(10) If the commission identifies a critical issue related to the performance of a county mental health program, it may refer the issue to the State Department of Health Care Services pursuant to Section 5655.

(11) Assist in providing technical assistance to accomplish the purposes of the Mental Health Services Act, Part 3 (commencing with Section 5800), and Part 4 (commencing with Section 5850)

in collaboration with the State Department of Health Care Services and in consultation with the California Mental Health Directors Association.

(12) Work in collaboration with the State Department of Health Care Services and the California Mental Health Planning Council, and in consultation with the California Mental Health Directors Association, in designing a comprehensive joint plan for a coordinated evaluation of client outcomes in the community-based mental health system, including, but not limited to, parts listed in subdivision (a). The California Health and Human Services Agency shall lead this comprehensive joint plan effort.

SEC. 3. Section 5847 of the Welfare and Institutions Code is amended to read:

5847. Integrated Plans for Prevention, Innovation, and System of Care Services.

(a) Each county mental health program shall prepare and submit a three-year program and expenditure plan, and annual updates, adopted by the county board of supervisors, to the Mental Health Services Oversight and Accountability Commission and the State Department of Health Care Services within 30 days after adoption.

(b) The three-year program and expenditure plan shall be based on available unspent funds and estimated revenue allocations provided by the state and in accordance with established stakeholder engagement and planning requirements as required in Section 5848. The three-year program and expenditure plan and annual updates shall include all of the following:

(1) A program for prevention and early intervention in accordance with Part 3.6 (commencing with Section 5840).

(2) A program for services to children in accordance with Part 4 (commencing with Section 5850), to include a program pursuant to Chapter 4 (commencing with Section 18250) of Part 6 of Division 9 or provide substantial evidence that it is not feasible to establish a wraparound program in that county.

(3) A program for services to adults and seniors in accordance with Part 3 (commencing with Section 5800).

(4) A program for innovations in accordance with Part 3.2 (commencing with Section 5830).

(5) A program for technological needs and capital facilities needed to provide services pursuant to Part 3 (commencing with Section 5800), Part 3.6 (commencing with Section 5840), and Part

4 (commencing with Section 5850). All plans for proposed facilities with restrictive settings shall demonstrate that the needs of the people to be served cannot be met in a less restrictive or more integrated setting, such as permanent supportive housing.

(6) Identification of shortages in personnel to provide services pursuant to the above programs and the additional assistance needed from the education and training programs established pursuant to Part 3.1 (commencing with Section 5820).

(7) Establishment and maintenance of a prudent reserve to ensure the county program will continue to be able to serve children, adults, and seniors that it is currently serving pursuant to Part 3 (commencing with Section 5800), the Adult and Older Adult Mental Health System of Care Act, Part 3.6 (commencing with Section 5840), Prevention and Early Intervention Programs, and Part 4 (commencing with Section 5850), the Children's Mental Health Services Act, during years in which revenues for the Mental Health Services Fund are below recent averages adjusted by changes in the state population and the California Consumer Price Index.

(8) Certification by the county behavioral health director, which ensures that the county has complied with all pertinent regulations, laws, and statutes of the Mental Health Services Act, including stakeholder participation and nonsupplantation requirements.

(9) Certification by the county behavioral health director and by the county auditor-controller that the county has complied with any fiscal accountability requirements as directed by the State Department of Health Care Services, and that all expenditures are consistent with the requirements of the Mental Health Services Act.

(c) The programs established pursuant to paragraphs (2) and (3) of subdivision (b) shall include services to address the needs of transition age youth 16 to 25 years of age. In implementing this subdivision, county mental health programs shall consider the needs of transition age foster youth.

(d) Each year, the State Department of Health Care Services shall inform the County Behavioral Health Directors Association of California and the Mental Health Services Oversight and Accountability Commission of the methodology used for revenue allocation to the counties.

(e) Each county mental health program shall prepare expenditure plans pursuant to Part 3 (commencing with Section 5800) for adults and seniors, Part 3.2 (commencing with Section 5830) for innovative programs, Part 3.6 (commencing with Section 5840) for prevention and early intervention programs, and Part 4 (commencing with Section 5850) for services for children, and updates to the plans developed pursuant to this section. Each expenditure update shall indicate the number of children, adults, and seniors to be served pursuant to Part 3 (commencing with Section 5800), and Part 4 (commencing with Section 5850), and the cost per person. The expenditure update shall include utilization of unspent funds allocated in the previous year and the proposed expenditure for the same purpose.

(f) A county mental health program shall include an allocation of funds from a reserve established pursuant to paragraph (7) of subdivision (b) for services pursuant to paragraphs (2) and (3) of subdivision (b) in years in which the allocation of funds for services pursuant to subdivision (e) are not adequate to continue to serve the same number of individuals as the county had been serving in the previous fiscal year.

(g) The department shall post on its website the three-year program and expenditure plans submitted by every county pursuant to subdivision (a) in a timely manner.

SEC. 4. Section 5848 of the Welfare and Institutions Code is amended to read:

5848. (a) Each three-year program and expenditure plan and update shall be developed with local stakeholders, including adults and seniors with severe mental illness, families of children, adults, and seniors with severe mental illness, providers of services, law enforcement agencies, education, social services agencies, veterans, representatives from veterans organizations, providers of alcohol and drug services, health care organizations, and other important interests. Counties shall demonstrate a partnership with constituents and stakeholders throughout the process that includes meaningful stakeholder involvement on mental health policy, program planning, and implementation, monitoring, quality improvement, evaluation, and budget allocations. A draft plan and update shall be prepared and circulated for review and comment for at least 30 days to representatives of stakeholder interests and any interested party who has requested a copy of the draft plans.

(b) The mental health board established pursuant to Section 5604 shall conduct a public hearing on the draft three-year program and expenditure plan and annual updates at the close of the 30-day comment period required by subdivision (a). Each adopted three-year program and expenditure plan and update shall include any substantive written recommendations for revisions. The adopted three-year program and expenditure plan or update shall summarize and analyze the recommended revisions. The mental health board shall review the adopted plan or update and make recommendations to the county mental health department for revisions.

(c) The plans shall include reports on the achievement of performance outcomes for services pursuant to Part 3 (commencing with Section 5800), Part 3.6 (commencing with Section 5840), and Part 4 (commencing with Section 5850) funded by the Mental Health Services Fund and established jointly by the State Department of Health Care Services and the Mental Health Services Oversight and Accountability Commission, in collaboration with the County Behavioral Health Directors Association of California.

(d) Mental health services provided pursuant to Part 3 (commencing with Section 5800) and Part 4 (commencing with Section 5850) shall be included in the review of program performance by the California Mental Health Planning Council required by paragraph (2) of subdivision (c) of Section 5772 and in the local mental health board's review and comment on the performance outcome data required by paragraph (7) of subdivision (a) of Section 5604.2.

(e) The department shall annually post on its website a summary of the performance outcomes reports submitted by counties if clearly and separately identified by counties as the achievement of performance outcomes pursuant to subdivision (c).

SEC. 5. Part 3.9 (commencing with Section 5849.1) is added to Division 5 of the Welfare and Institutions Code, to read:

PART 3.9. THE NO PLACE LIKE HOME PROGRAM

5849.1. (a) The Legislature finds and declares that this part is consistent with and furthers the purposes of the Mental Health Services Act, enacted by Proposition 63 at the November 2, 2004,

statewide general election, within the meaning of Section 18 of that measure.

(b) The Legislature further finds and declares all of the following:

(1) Housing is a key factor for stabilization and recovery to occur and results in improved outcomes for individuals living with a mental illness.

(2) Untreated mental illness can increase the risk of homelessness, especially for single adults.

(3) California has the nation's largest homeless population that is disproportionately comprised of women with children, veterans, and the chronically homeless.

(4) California has the largest number of homeless veterans in the United States at 24 percent of the total population in our nation. Fifty percent of California's veterans live with serious mental illness and 70 percent have a substance use disorder.

(5) Fifty percent of mothers experiencing homelessness have experienced a major depressive episode since becoming homeless and 36 percent of these mothers live with post-traumatic stress disorder and 41 percent have a substance use disorder.

(6) Ninety-three percent of supportive housing tenants who live with mental illness and substance use disorders voluntarily participated in the services offered.

(7) Adults who receive 2 years of "whatever-it-takes," or Full Service Partnership services, experience a 68 percent reduction in homelessness.

(8) For every dollar of bond funds invested in permanent supportive housing, the state and local governments can leverage a significant amount of additional dollars through tax credits, Medicaid health services funding, and other housing development funds.

(9) Tenants of permanent supportive housing reduced their visits to the emergency department by 56 percent, and their hospital admissions by 45 percent.

(10) The cost in public services for a chronically homeless Californian ranges from \$60,000 to \$100,000 annually. When housed, these costs are cut in half and some reports show reductions in cost of more than 70 percent, including potentially less involvement with the health and criminal justice systems.

(11) Californians have identified homelessness as their top tier priority; this measure seeks to address the needs of the most vulnerable people within this population.

(12) Having counties provide mental health programming and services is a benefit to the state.

5849.2. As used in this part, the following definitions shall apply:

(a) “At risk of chronic homelessness” includes, but is not limited to, persons who are at high risk of long-term or intermittent homelessness, including persons with mental illness exiting institutionalized settings, including, but not limited to, jail and mental health facilities, who were homeless prior to admission, transition age youth experiencing homelessness or with significant barriers to housing stability, and others, as defined in program guidelines.

(b) “Chronically homeless” has the same meaning as defined in Section 578.3 of Title 24 of the Code of Federal Regulations, as that section read on May 1, 2016.

(c) “Committee” means the No Place Like Home Program Advisory Committee established pursuant to Section 5849.3.

(d) “County” includes, but is not limited to, a city and county.

(e) “Department” means the Department of Housing and Community Development.

(f) “Development sponsor” has the same meaning as “sponsor” as defined in Section 50675.2 of the Health and Safety Code.

(g) “Fund” means the No Place Like Home Fund established pursuant to Section 5849.4.

(h) “Homeless” has the same meaning as defined in Section 578.3 of Title 24 of the Code of Federal Regulations, as that section read on May 1, 2016.

(i) “Permanent supportive housing” has the same meaning as “supportive housing,” as defined in Section 50675.14 of the Health and Safety Code, except that “permanent supportive housing” shall include associated facilities if used to provide services to housing residents.

(j) “Program” means the process for awarding funds and distributing moneys to applicants established in Sections 5849.7, 5849.8, and 5849.9.

(1) “Competitive program” means that portion of the program established by Section 5849.8.

(2) “Distribution program” means that portion of the program described in Section 5849.9.

(k) “Target population” means individuals or households as provided in Section 5600.3 who are homeless, chronically homeless, or at risk of chronic homelessness.

5849.3. (a) There is hereby established the No Place Like Home Program Advisory Committee. Membership on the committee shall be as follows:

(1) The Director of Housing and Community Development, or his or her designee, who shall serve as the chairperson of the committee.

(2) The Director of Health Care Services, or his or her designee, and an additional representative.

(3) The Secretary of Veterans Affairs, or his or her designee.

(4) The Director of Social Services, or his or her designee.

(5) The Treasurer, or his or her designee.

(6) The chair of the Mental Health Services Oversight and Accountability Commission, or his or her designee.

(7) A chief administrative officer of a small county or a member of a county board of supervisors of a small county, as provided by subdivision (d) of Section 5489.6, to be appointed by the Governor.

(8) A chief administrative officer of a large county or a member of a county board of supervisors of a large county, as provided by subdivision (b) of Section 5489.6, to be appointed by the Governor.

(9) A director of a county behavioral health department, to be appointed by the Governor.

(10) An administrative officer of a city, to be appointed by the Governor.

(11) A representative of an affordable housing organization, to be appointed by the Speaker of the Assembly.

(12) A resident of supportive housing, to be appointed by the Governor.

(13) A representative of a community mental health organization, to be appointed by the Senate Rules Committee.

(14) A representative of a local or regional continuum of care organization that coordinates homelessness funding, to be appointed by the Governor.

(b) The committee shall do all of the following:

(1) Assist and advise the department in the implementation of the program.

(2) Review and make recommendations on the department's guidelines.

(3) Review the department's progress in distributing moneys pursuant to this part.

(4) Provide advice and guidance more broadly on statewide homelessness issues.

5849.4. (a) The No Place Like Home Fund is hereby created within the State Treasury and, notwithstanding Section 13340 of the Government Code, continuously appropriated to the department for the purposes of this part. The department may use up to five percent of the amount deposited in the fund for administrative expenses in implementing this part.

(b) There shall be paid into the fund the following:

(1) Any proceeds from the issuance of bonds by the Treasurer for the purpose of implementing the program.

(2) Any other federal or state grant, or from any private donation or grant, for the purposes of this part.

(3) Any interest payment, loan repayments, or other return of funds.

5849.5. (a) The department may adopt guidelines or regulations, in consultation with the California State Association of Counties and other stakeholders, as necessary to exercise the powers and perform the duties conferred or imposed on it by this part. Any guideline or regulation adopted pursuant to this section shall not be subject to the requirements of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code). The department shall consult with key stakeholders, including, but not limited to, counties.

(b) The department may adopt emergency regulations in order to expedite the award of moneys pursuant to this part.

5849.6. For the purpose of administering Sections 5849.7 and 5849.8, the department shall organize counties into the following competitive groupings based on population:

(a) The County of Los Angeles.

(b) Large counties with a population greater than 750,000.

(c) Medium counties with a population between 200,000 to 750,000.

(d) Small counties with a population less than 200,000.

The competitive program shall distribute funding among the groupings based on a calculation made by the department that shall include the number of homeless persons residing within each county, as determined by the department, and considers minimum funding levels necessary for a permanent supportive housing development. The department, at its discretion, may consider other factors in the calculation if it supports the objectives of this part.

5849.7. (a) The department shall administer a competitive program, pursuant to Section 5849.8, and distribution program, pursuant to Section 5849.9, for awarding a total of two billion dollars (\$2,000,000,000) among counties to finance capital costs including, but not limited to, acquisition, design, construction, rehabilitation, or preservation, and to capitalize operating reserves, of permanent supportive housing for the target population.

(b) For the competitive program established by Section 5849.8, the following shall apply:

(1) A county may apply as the sole applicant if it is the development sponsor or jointly with a separate entity as development sponsor.

(2) Funded developments shall integrate the target population with the general public.

(3) Funded developments shall utilize low barrier tenant selection practices that prioritize vulnerable populations and offer flexible, voluntary, and individualized supportive services.

(4) The guidelines may provide for alternative housing models, such as shared housing models of fewer than five units. Integration requirements may be modified in shared housing.

(5) Funds shall be offered as deferred payment loans to finance capital costs including acquisition, design, construction, rehabilitation, or preservation, and to capitalize operating reserves of, permanent supportive housing for the target population.

(6) The department shall adopt guidelines establishing income and rent standards.

5849.8. (a) One billion eight hundred million dollars (\$1,800,000,000) shall be allocated from the fund for the purposes of the competitive program. The department shall develop a competitive application process for the purpose of awarding moneys pursuant to this section. In considering applications, the department shall do all of the following:

(1) Restrict eligibility to applicants that meet the following minimum criteria:

(A) The county commits to provide mental health supportive services and to coordinate the provision of or referral to other services, including, but not limited to, substance use treatment services, to the tenants of the supportive housing development for at least 20 years. Services shall be provided onsite at the supportive housing development or in a location otherwise easily accessible to tenants. The county may use, but is not restricted to using, any of the following available funding sources as allowed by state and federal law:

(i) The Local Mental Health Services Fund established pursuant to subdivision (f) of Section 5892.

(ii) The Mental Health Account within the Local Health Welfare Trust Fund established pursuant to Section 17600.10.

(iii) The Behavioral Health Subaccount within the County Local Revenue Fund 2011 established pursuant to paragraph (4) of subdivision (f) of Section 30025 of the Government Code.

(iv) Funds received from other private or public entities.

(v) Other county funds.

(B) The county has developed a county plan to combat homelessness, which includes a description of homelessness countywide, any special challenges or barriers to serving the target population, county resources applied to address the issue, available community-based resources, an outline of partners and collaborations, and proposed solutions.

(C) Meet other threshold requirements including, but not limited to, developer capacity to develop, own, and operate a permanent supportive housing development for the target population, application proposes a financially feasible development with reasonable development costs.

(2) The department shall evaluate applications using, at minimum, the following criteria:

(A) The extent to which units assisted by the program are restricted to persons who are chronically homeless or at risk of chronic homelessness within the target population.

(B) The extent to which funds are leveraged for capital costs.

(C) The extent to which projects achieve deeper affordability through the use of non-state project-based rental assistance, operating subsidies, or other funding.

(D) Project readiness.

(E) The extent to which applicants offer a range of on and off-site supportive services to tenants, including mental health services, behavioral health services, primary health, employment, and other tenancy support services.

(F) Past history of implementing programs that use evidence-based best practices that have led to the reduction of the number of chronic homeless or at risk of chronic homelessness individuals within the target population.

(b) The department may establish an alternative process for allocating funds directly to counties, as calculated in Section 5849.6, with at least five percent of the state's homeless population and that demonstrate the capacity to directly administer loan funds for permanent supportive housing serving the target population and the ability to prioritize individuals with mental health supportive needs who are homeless or at risk of chronic homelessness, consistent with this part and as determined by the department. The department shall adopt guidelines establishing the parameters of an alternative process, if any, and requirements for local administration of funds, including, but not limited to, project selection process, eligible use of funds, loan terms, rent and occupancy restrictions, provision of services, and reporting and monitoring requirements. Counties participating in the alternative process shall not be eligible for the competitive process and shall be limited to funds in proportion to their share of the percentage of the statewide homeless population, as calculated by the department in Section 5849.6. Funds not committed to supportive housing developments within two years following award of funds to counties shall be returned to the state for the purposes of the competitive program. The department shall consider the following when selecting participating counties:

(1) Demonstrated ability to finance permanent supportive housing with local and federal funds, and monitor requirements for the life of the loan.

(2) Past history of delivering supportive services to the target population in housing.

(3) Past history of committing project-based vouchers to supportive housing.

(4) Ability to prioritize the most vulnerable within the target population through coordinated entry system.

(c) The department shall set aside 8 percent of funds offered in Rounds 1 through 4, inclusive, for small counties as provided in subdivision (d) of Section 5849.6.

(d) The department shall award funds in at least four rounds as follows:

(1) The department shall issue its first request for proposal for the competitive program no later than 180 days after any deadline for appeals as set forth in Section 870 of the Code of Civil Procedure.

(2) The second round shall be completed no later than one year after the completion of the first round.

(3) The third round shall be completed no later than one year after the completion of the second round.

(4) The fourth round shall be completed no later than one year after the completion of the third round.

(5) Subsequent rounds shall occur annually thereafter in order to fully exhaust remaining funds and the department may discontinue the use of the competitive groupings in Section 5849.6, the alternative process in subdivision (b) for any funds not awarded by the county, and the rural set aside funds as set forth in subdivision (c).

(e) (1) Any loans made by the department pursuant to this section shall be in the form of secured deferred payment loans to pay for the eligible costs of development. Principal and accumulated interest is due and payable upon completion of the term of the loan, which shall be established through program guidelines adopted pursuant to Section 5849.5. The loan shall bear simple interest at a rate of three percent per annum on the unpaid principal balance. The department shall require annual loan payments in the minimum amount necessary to cover the costs of project monitoring. For the first 15 years of the loan term, the amount of the required loan payments shall not exceed forty-two hundredths of 1 percent per annum.

(2) The department may establish maximum loan-to-value requirements for some or all of the types of projects that are eligible for funding under this part, which shall be established through program guidelines adopted pursuant to Section 5849.5.

(3) The department shall establish per-unit and per-project loan limits for all project types.

(f) (1) The department may designate an amount not to exceed four percent of funds allocated for the competitive program, not including funding allocated pursuant to subdivision (b), in order to cure or avert a default on the terms of any loan or other obligation by the recipient of financial assistance, or bidding at any foreclosure sale where the default or foreclosure sale would jeopardize the department's security in the rental housing development assisted pursuant to this part. The funds so designated shall be known as the "default reserve."

(2) The department may use default reserve funds made available pursuant to this section to repair or maintain any rental housing development assistance pursuant to this part to protect the department's security interest.

(3) The payment or advance of funds by the department pursuant to this subdivision shall be exclusively within the department's discretion, and no person shall be deemed to have any entitlement to the payment or advance of those funds. The amount of any funds expended by the department for the purposes of curing or averting a default shall be added to the loan amount secured by the rental housing development and shall be payable to the department upon demand.

(g) (1) Prior to disbursement of any funds for loans made pursuant this section, the department shall enter into a regulatory agreement with the development sponsor that provides for all of the following:

(A) Sets standards for tenant selection to ensure occupancy of assisted units by eligible households of very low and low income for the term of the agreement.

(B) Governs the terms of occupancy agreements.

(C) Contains provisions to maintain affordable rent levels to serve eligible households.

(D) Provides for periodic inspections and review of year-end fiscal audits and related reports by the department.

(E) Permits a developer to distribute earnings in an amount established by the department and based on the number of units in the rental housing development.

(F) Has a term for not less than the original term of the loan.

(G) Contains any other provisions necessary to carry out the purposes of this part.

(2) The agreement shall be binding upon the developer and successors in interest upon sale or transfer of the rental housing development regardless of any prepayment of the loan.

(3) The agreement shall be recorded in the office of the county recorder in the county in which the real property subject to the agreement is located.

5849.9. (a) In addition to the competitive program established by Section 5849.8, the department shall distribute two hundred million dollars (\$200,000,000) from the fund on an “over-the-counter” basis to finance the construction, rehabilitation, or preservation, and to capitalize operating reserves, of permanent supportive housing for individuals in the target population with a priority for those with mental health supportive needs who are homeless or at risk of chronic homelessness. Funds to be awarded pursuant to this section shall be available to all counties within the state proportionate to the number of homeless persons residing within each county as calculated in Section 5849.6 or in the amount of five hundred thousand dollars (\$500,000), whichever is greater.

(b) Funds not awarded within 18 months following the first allocation of moneys in accordance with subdivision (d) shall be used for the purposes of the competitive program.

(c) The moneys described in subdivision (a) shall be administered either in accordance with the procedures for awarding funds to local agencies established by the existing Mental Health Services Act housing program administered by the Department of Health Care Services and the California Housing Finance Agency or alternative procedures developed by the department for distributing these moneys that enhance the efficiency and goals of the distribution program.

(d) The department shall make the first allocation of moneys pursuant to this section no later than 60 days after any deadline for appeals as set forth in Section 870 of the Code of Civil Procedure.

5849.10. (a) The sum of six million two hundred thousand dollars (\$6,200,000) is hereby appropriated from the Mental Health Services Fund to the department to provide technical and application preparation assistance to counties.

(b) Eligible use of technical and application preparation assistance shall include, but is not limited to, assistance in performing one or more of the following activities:

(1) Applying for program funds.

(2) Implementing activities funded by moneys distributed pursuant to this part, including the development of supportive housing for the target population.

(3) Coordinating funded activities with local homelessness systems, including coordinated access systems developed pursuant to Section 578.7(a)(8) of Title 24 of the Code of Federal Regulations, as that section read on May 1, 2016.

(4) Delivering a range of supportive services to tenants.

(5) Collecting data, evaluating program activities, and sharing data among multiple systems, such as the Mental Health Services Act, enacted by Proposition 63 at the November 2, 2004, statewide general election, the Medi-Cal Act (Chapter 7 (commencing with Section 14000) of Part 3 of Division 9) and implementing regulations, and homelessness systems.

(c) The department shall provide funds to a county upon application as follows:

(1) To a large county and to the County of Los Angeles, the department shall provide one hundred fifty thousand dollars (\$150,000).

(2) To a medium county, the department shall provide one hundred thousand dollars (\$100,000).

(3) To a small county, the department shall provide seventy-five thousand dollars (\$75,000).

(d) If a county does not expend the moneys allocated pursuant to subdivision (c) by June 30, 2020, those moneys shall be used to augment the funding pursuant to subdivision (e).

(e) The department may contract for expert technical assistance and application preparation assistance. The department shall deploy such assistance to counties based upon a process to be defined in guidelines.

(f) The department may establish a unit for the purpose of providing technical assistance to counties.

5849.11. (a) The counties shall annually report to the department on activities funded under this part, including information on the funded supportive housing development. Reported information shall include location of projects, number of units assisted, occupancy restrictions, number of individuals and households served, related income levels, and homeless, veteran, and mental health status

(b) The department shall submit a report on the program to the Legislature by December 31 of each year, commencing with the year after the first full year in which the program is in effect. The report shall contain the following:

- (1) The processes established for distributing funds.
- (2) The distribution of funds among counties.
- (3) Any recommendations as to modifications to the program for the purpose of improving efficiency or furthering the goals of the program.

(c) The report required to be submitted by subdivision (b) shall be submitted in compliance with Section 9795 of the Government Code.

5849.12. (a) Upon an appropriation of funds for the purpose of this section, the department shall contract with a public or private research university in this state to evaluate the program. The department shall develop the research design and issue a request for proposal for a contract for the evaluation, with the assistance of the Legislative Analyst's Office and the Department of Finance.

(b) The department shall submit the final research design and request for proposal required by subdivision (a) to the Chairperson of the Joint Legislative Budget Committee no more than 30 days prior to executing a contract for the evaluation.

5849.13. An action to determine the legality of any action by the department pursuant to this part may be brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure.

5849.14. The Department of Finance may authorize a loan from the General Fund to the No Place Like Home Fund for cashflow purposes in an amount not to exceed one million dollars (\$1,000,000) subject to the following conditions:

(a) The loan is to allow the department to begin program implementation activities, including, but not limited to, drafting program guidelines and regulations.

(b) The loan is short term, and shall be repaid within 30 days after the deposit of bond proceeds into the fund pursuant to paragraph (1) of subdivision (b) of Section 5849.4.

(c) Interest charges may be waived pursuant to subdivision (e) of Section 16314 of the Government Code.

SEC. 6. Section 5897 of the Welfare and Institutions Code is amended to read:

5897. (a) Notwithstanding any other provision of state law, the State Department of Health Care Services shall implement the mental health services provided by Part 3 (commencing with Section 5800), Part 3.6 (commencing with Section 5840), and Part 4 (commencing with Section 5850) through contracts with county mental health programs or counties acting jointly. A contract may be exclusive and may be awarded on a geographic basis. For purposes of this section, a county mental health program includes a city receiving funds pursuant to Section 5701.5.

(b) Two or more counties acting jointly may agree to deliver or subcontract for the delivery of those mental health services. The agreement may encompass all or any part of the mental health services provided pursuant to these parts. Any agreement between counties shall delineate each county's responsibilities and fiscal liability.

(c) The department shall implement the provisions of Part 3 (commencing with Section 5800), Part 3.2 (commencing with Section 5830), Part 3.6 (commencing with Section 5840), and Part 4 (commencing with Section 5850) through the annual county mental health services performance contract, as specified in Chapter 2 (commencing with Section 5650) of Part 2.

(d) The department shall conduct program reviews of performance contracts to determine compliance. Each county performance contract shall be reviewed at least once every three years, subject to available funding for this purpose.

(e) When a county mental health program is not in compliance with its performance contract, the department may request a plan of correction with a specific timeline to achieve improvements. The department shall post on its website any plans of correction requested and the related findings.

(f) Contracts awarded by the State Department of Health Care Services, the State Department of Public Health, the California Mental Health Planning Council, the Office of Statewide Health Planning and Development, and the Mental Health Services Oversight and Accountability Commission pursuant to Part 3 (commencing with Section 5800), Part 3.1 (commencing with Section 5820), Part 3.2 (commencing with Section 5830), Part 3.6 (commencing with Section 5840), Part 3.7 (commencing with Section 5845), Part 4 (commencing with Section 5850), and Part 4.5 (commencing with Section 5890), may be awarded in the same

manner in which contracts are awarded pursuant to Section 5814 and the provisions of subdivisions (g) and (h) of Section 5814 shall apply to those contracts.

(g) For purposes of Section 14712, the allocation of funds pursuant to Section 5892 which are used to provide services to Medi-Cal beneficiaries shall be included in calculating anticipated county matching funds and the transfer to the State Department of Health Care Services of the anticipated county matching funds needed for community mental health programs.

SEC. 7. Section 5899 of the Welfare and Institutions Code is amended to read:

5899. (a) The State Department of Health Care Services, in consultation with the Mental Health Services Oversight and Accountability Commission and the County Behavioral Health Directors Association of California, shall develop and administer instructions for the Annual Mental Health Services Act Revenue and Expenditure Report. The instructions shall include a requirement that the county certify the accuracy of this report. This report shall be submitted electronically to the department and to the Mental Health Services Oversight and Accountability Commission. The department and the commission shall annually post each county's report on its website in a timely manner.

(b) The department, in consultation with the commission and the County Behavioral Health Directors Association of California, shall revise the instructions described in subdivision (a) by July 1, 2017, and as needed thereafter, to improve the timely and accurate submission of county revenue and expenditure data.

(c) The purpose of the Annual Mental Health Services Act Revenue and Expenditure Report is as follows:

(1) Identify the expenditures of Mental Health Services Act (MHSA) funds that were distributed to each county.

(2) Quantify the amount of additional funds generated for the mental health system as a result of the MHSA.

(3) Identify unexpended funds, and interest earned on MHSA funds.

(4) Determine reversion amounts, if applicable, from prior fiscal year distributions.

(d) This report is intended to provide information that allows for the evaluation of all of the following:

(1) Children's systems of care.

(2) Prevention and early intervention strategies.

(3) Innovative projects.

(4) Workforce education and training.

(5) Adults and older adults systems of care.

(6) Capital facilities and technology needs.

(e) If a county does not submit the annual revenue and expenditure report described in subdivision (a) by the required deadline, the department may withhold MHSA funds until the reports are submitted.

SEC. 8. The Legislature finds and declares that this act furthers the intent of the Mental Health Services Act, enacted by Proposition 63 at the November 2, 2004, statewide general election.

It is the intent of the Legislature that the costs to service the debt for the bond authorized by this act shall not impede in any way the direct mental health services provided by counties, and that the counties shall maximize the use of all available state, federal, and local funding sources, including those listed in Section 5849.7 of the Welfare and Institutions Code, to support direct local mental health services.

SEC. 9. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.

Approved _____, 2016

Governor