

## Assembly Bill No. 1929

### CHAPTER 674

An act to add Section 5892.5 to the Welfare and Institutions Code, relating to mental health.

[Approved by Governor September 27, 2014. Filed with Secretary of State September 27, 2014.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 1929, Chau. California Housing Finance Agency: MHSA funding: special needs housing for person with mental illness.

Existing law, the Mental Health Services Act (hereafter, the MHSA), an initiative measure, was approved by the voters in November 2004 as Proposition 63. The MHSA establishes the Mental Health Oversight and Accountability Commission, and imposes a tax of 1% on incomes above \$1,000,000 for the purpose of financing new or expanded mental health services. Under the MHSA, the former State Department of Mental Health is required, among other things, to distribute funds for local assistance for designated mental health programs according to a local plan. Existing law requires the State Department of Health Care Services to implement the mental health services provided under the Adult and Older Adult Mental Health System of Care Act, which provides, among other things, funds for counties to provide mental health services and related supportive housing or housing assistance necessary to stabilize homeless, mentally ill persons or mentally ill persons at risk of being homeless. The MHSA permits amendment by the Legislature by a  $\frac{2}{3}$  vote of each house if the amendment is consistent with and furthers the intent of the MHSA, and also permits the Legislature to clarify procedures and terms of the MHSA by a majority vote.

Existing law establishes the California Housing Finance Fund in the State Treasury, and authorizes the transfer of construction loan funds to the construction lender or to the contractor as necessary to meet draws for progress payments pursuant to rules and regulations of the California Housing Finance Agency. Existing law authorizes the agency to make loans to finance affordable housing, including residential structures, housing developments, multifamily rental housing, special needs housing, as defined, and other forms of housing permitted by provisions regulating housing and community development.

Existing law authorizes the agency to issue revenue bonds, in accordance with specified requirements, for the purpose of financing the acquisition, construction, rehabilitation, refinancing, or development of special needs housing, including, but not limited to, supportive housing intended to benefit persons identified as having special mental health needs, including housing intended to meet the housing needs of persons eligible for mental health

services funded in whole or in part under the MHSA. Existing law requires the agency, in consultation with the State Department of Mental Health and the State Department of Housing and Community Development, and other agencies and interested parties, to prepare and present to the Legislature a plan for the development, acquisition, construction, and rehabilitation of supportive housing projects using up to \$75,000,000 annually in funding from the Mental Health Services Act, as provided under the Governor's Executive Order S-07-06. Under existing law, by executive order, the State Department of Mental Health, in consultation with the California Mental Health Directors Association, is directed to allocate up to \$75,000,000 in Mental Health Services Act funds each year to finance the capital costs associated with the development, acquisition, construction, and rehabilitation of permanent supportive housing for individuals with mental illness.

The bill would require the agency, with the concurrence of the State Department of Health Care Services, to release unencumbered Mental Health Services Fund moneys dedicated to the MHSA housing program upon the request of the respective county, and would require these counties to use these moneys to provide housing assistance, as defined, to identified target populations, including persons with a serious mental disorder.

The bill would make findings and declarations regarding the need to encourage counties, the agency, and the State Department of Health Care Services to continue partnering in the development of supportive housing, and to ensure county mental health departments are able to more fully utilize the MHSA funds for supportive housing and other housing assistance purposes.

This bill would declare that it clarifies procedures and terms of the Mental Health Services Act.

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

SECTION 1. The Legislature finds and declares all of the following:

(a) The Mental Health Services Act (hereafter, the MHSA), an initiative measure approved by the voters in November 2004 as Proposition 63, provides funding for local assistance for designated mental health programs.

(b) A critical component of the success of community services for persons with mental illness is the availability of supportive housing.

(c) It is the intent of the Legislature that the California Housing Finance Agency (CalHFA) continue the MHSA housing program. The State Department of Mental Health, CalHFA, and the County Mental Health Directors Association partnered together to administer a housing program under which \$400,000,000 in MHSA funds were initially made available to finance the capital costs associated with the development, acquisition, construction, or rehabilitation, or all, of permanent supportive housing for individuals with mental illness and their families, including homeless individuals with mental illness and their families.

(d) Through Executive Order S-07-06 in 2006, Governor Schwarzenegger directed the creation of the MHSA housing program. The State Department of Mental Health, in consultation with the California Mental Health Directors Association, were directed to allocate up to \$75,000,000 annually in MHSA funding to finance the development, acquisition, construction, or rehabilitation, or all, of 10,000 permanent supportive housing units for individuals with mental illness and their families, especially homeless individuals with mental illness and their families.

(e) Senate Bill 257 (Chesbro), Chapter 748 of the Statutes of 2006, authorized CalHFA to finance permanent supportive housing for individuals with mental illness. Senate Bill 257 also directed CalHFA, in consultation with the State Department of Mental Health and the State Department of Housing and Community Development, and other agencies and parties, to present to the Legislature a plan for the use of MHSA funds for the development of permanent supportive housing.

(f) In 2007, county mental health departments agreed to set aside \$400,000,000 of MHSA funds with CalHFA, and allocate these funds to all but the eight least populated counties for the purpose of building permanent supportive housing. Counties were authorized to use \$75,000,000 annually for capital costs and \$40,000,000 annually for operating and maintenance costs. While most counties have already expended their share of these funds, others have not because these counties received small allocations that do not make the construction of housing units feasible. Releasing these funds to their respective counties will enable these counties to better utilize these funds for supportive housing and housing assistance for individuals with serious mental illness, and those homeless individuals with mental illness or mentally ill individuals at risk of being homeless.

(g) Counties currently receive a direct allocation of MHSA funds and have the discretion to dedicate additional funds for supportive housing purposes. Some counties have found it beneficial to continue utilizing CalHFA's assistance, given the complexity of developing supportive housing.

(h) The purpose of this act is to encourage counties, CalHFA, and the State Department of Health Care Services to continue partnering in the development of supportive housing, and to enable county mental health departments to more fully utilize MHSA funds for housing purposes.

SEC. 2. Section 5892.5 is added to the Welfare and Institutions Code, to read:

5892.5. (a) (1) The California Housing Finance Agency, with the concurrence of the State Department of Health Care Services, shall release unencumbered Mental Health Services Fund moneys dedicated to the Mental Health Services Act Housing Program upon the written request of the respective county. The county shall use these Mental Health Services Fund moneys released by the agency to provide housing assistance to the target populations who are identified in Section 5600.3.

(2) For purposes of this section, "housing assistance" means each of the following:

- (A) Rental assistance or capitalized operating subsidies.
  - (B) Security deposits, utility deposits, or other move-in cost assistance.
  - (C) Utility payments.
  - (D) Moving cost assistance.
  - (E) Capital funding to build or rehabilitate housing for homeless, mentally ill persons or mentally ill persons who are at risk of being homeless.
- (b) For purposes of administering those funds released to a respective county pursuant to subdivision (a), the county shall comply with all of the requirements described in the Mental Health Services Act, including, but not limited to, Sections 5664, 5847, subdivision (h) of Section 5892, and 5899.

SEC. 3. The Legislature finds and declares that this act clarifies procedures and terms of the Mental Health Services Act within the meaning of Section 18 of the Mental Health Services Act.