

AMENDED IN ASSEMBLY JUNE 28, 2016

AMENDED IN ASSEMBLY MAY 25, 2016

SENATE BILL

No. 852

Introduced by Committee on Budget and Fiscal Review

January 7, 2016

An act ~~relating to the Budget Act of 2016~~, 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

SB 852, as amended, Committee on Budget and Fiscal Review.
~~Budget Act of 2016. 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 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 advice 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.

~~This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2016.~~

Vote: ~~majority~~^{2/3}. Appropriation: ~~no~~ yes. Fiscal committee: ~~no~~ yes. State-mandated local program: no.

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

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

3 5830. County mental health programs shall develop plans for
4 innovative programs to be funded pursuant to paragraph (6) of
5 subdivision (a) of Section 5892.

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

7 (1) To increase access to underserved groups.

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

10 (3) To promote interagency collaboration.

11 (4) To increase access to ~~services~~. *services, including, but not*
12 *limited to, services provided through permanent supportive*
13 *housing.*

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

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

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

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

1 (C) Promote interagency and community collaboration.

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

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

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

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

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

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

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

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

25 (2) Advocacy.

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

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

29 (5) System development.

30 (6) Public education efforts.

31 (7) Research.

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

34 (9) *Permanent supportive housing development.*

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

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

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

3 5845. (a) The Mental Health Services Oversight and
4 Accountability Commission is hereby established to oversee Part
5 3 (commencing with Section 5800), the Adult and Older Adult
6 Mental Health System of Care Act; Part 3.1 (commencing with
7 Section 5820), Human Resources, Education, and Training
8 Programs; Part 3.2 (commencing with Section 5830), Innovative
9 Programs; Part 3.6 (commencing with Section 5840), Prevention
10 and Early Intervention Programs; and Part 4 (commencing with
11 Section 5850), the Children's Mental Health Services Act. The
12 commission shall replace the advisory committee established
13 pursuant to Section 5814. The commission shall consist of 16
14 voting members as follows:

15 (1) The Attorney General or his or her designee.

16 (2) The Superintendent of Public Instruction or his or her
17 designee.

18 (3) The Chairperson of the Senate Health and Human Services
19 Committee or another member of the Senate selected by the
20 President pro Tempore of the Senate.

21 (4) The Chairperson of the Assembly Health Committee or
22 another member of the Assembly selected by the Speaker of the
23 Assembly.

24 (5) Two persons with a severe mental illness, a family member
25 of an adult or senior with a severe mental illness, a family member
26 of a child who has or has had a severe mental illness, a physician
27 specializing in alcohol and drug treatment, a mental health
28 professional, a county sheriff, a superintendent of a school district,
29 a representative of a labor organization, a representative of an
30 employer with less than 500 employees and a representative of an
31 employer with more than 500 employees, and a representative of
32 a health care services plan or insurer, all appointed by the
33 Governor. In making appointments, the Governor shall seek
34 individuals who have had personal or family experience with
35 mental illness. *At least one of the persons appointed pursuant to*
36 *this paragraph shall have a background in auditing.*

37 (b) Members shall serve without compensation, but shall be
38 reimbursed for all actual and necessary expenses incurred in the
39 performance of their duties.

1 (c) The term of each member shall be three years, to be
2 staggered so that approximately one-third of the appointments
3 expire in each year.

4 (d) In carrying out its duties and responsibilities, the commission
5 may do all of the following:

6 (1) Meet at least once each quarter at any time and location
7 convenient to the public as it may deem appropriate. All meetings
8 of the commission shall be open to the public.

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

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

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

23 (5) Enter into contracts.

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

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

35 (8) Develop strategies to overcome stigma and discrimination,
36 and accomplish all other objectives of Part 3.2 (commencing with
37 Section 5830), 3.6 (commencing with Section 5840), and the other
38 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

1 to Chapter 4 (commencing with Section 18250) of Part 6 of
2 Division 9 or provide substantial evidence that it is not feasible to
3 establish a wraparound program in that county.

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

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

8 (5) A program for technological needs and capital facilities
9 needed to provide services pursuant to Part 3 (commencing with
10 Section 5800), Part 3.6 (commencing with Section 5840), and Part
11 4 (commencing with Section 5850). All plans for proposed facilities
12 with restrictive settings shall demonstrate that the needs of the
13 people to be served cannot be met in a less restrictive or more
14 integrated ~~setting~~ *setting, such as permanent supportive housing*.

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

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

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

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

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

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

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

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

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

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

36 5848. (a) Each three-year program and expenditure plan and
37 update shall be developed with local stakeholders, including adults
38 and seniors with severe mental illness, families of children, adults,
39 and seniors with severe mental illness, providers of services, law
40 enforcement agencies, education, social services agencies, veterans,

1 representatives from veterans organizations, providers of alcohol
2 and drug services, health care organizations, and other important
3 interests. Counties shall demonstrate a partnership with constituents
4 and stakeholders throughout the process that includes meaningful
5 stakeholder involvement on mental health policy, program
6 planning, and implementation, monitoring, quality improvement,
7 evaluation, and budget allocations. A draft plan and update shall
8 be prepared and circulated for review and comment for at least 30
9 days to representatives of stakeholder interests and any interested
10 party who has requested a copy of the draft plans.

11 (b) The mental health board established pursuant to Section
12 5604 shall conduct a public hearing on the draft three-year program
13 and expenditure plan and annual updates at the close of the 30-day
14 comment period required by subdivision (a). Each adopted
15 three-year program and expenditure plan and update shall include
16 any substantive written recommendations for revisions. The
17 adopted three-year program and expenditure plan or update shall
18 summarize and analyze the recommended revisions. The mental
19 health board shall review the adopted plan or update and make
20 recommendations to the county mental health department for
21 revisions.

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

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

38 (e) *The department shall annually post on its website a summary*
39 *of the performance outcomes reports submitted by counties if*

1 *clearly and separately identified by counties as the achievement*
2 *of performance outcomes pursuant to subdivision (c).*

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

5
6 *PART 3.9. THE NO PLACE LIKE HOME PROGRAM*
7

8 *5849.1. (a) The Legislature finds and declares that this part*
9 *is consistent with and furthers the purposes of the Mental Health*
10 *Services Act, enacted by Proposition 63 at the November 2, 2004,*
11 *statewide general election, within the meaning of Section 18 of*
12 *that measure.*

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

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

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

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

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

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

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

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

37 *(8) For every dollar of bond funds invested in permanent*
38 *supportive housing, the state and local governments can leverage*
39 *a significant amount of additional dollars through tax credits,*

1 *Medicaid health services funding, and other housing development*
2 *funds.*

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

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

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

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

16 *5849.2. As used in this part, the following definitions shall*
17 *apply:*

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

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

29 *(c) "Committee" means the No Place Like Home Program*
30 *Advisory Committee established pursuant to Section 5849.3.*

31 *(d) "County" includes, but is not limited to, a city and county.*

32 *(e) "Department" means the Department of Housing and*
33 *Community Development.*

34 *(f) "Development sponsor" has the same meaning as "sponsor"*
35 *as defined in Section 50675.2 of the Health and Safety Code.*

36 *(g) "Fund" means the No Place Like Home Fund established*
37 *pursuant to Section 5849.4.*

38 *(h) "Homeless" has the same meaning as defined in Section*
39 *578.3 of Title 24 of the Code of Federal Regulations, as that section*
40 *read on May 1, 2016.*

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

6 (j) “Program” means the process for awarding funds and
7 distributing moneys to applicants established in Sections 5849.7,
8 5849.8, and 5849.9.

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

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

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

16 5849.3. (a) There is hereby established the No Place Like
17 Home Program Advisory Committee. Membership on the committee
18 shall be as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 5849.4. (a) The No Place Like Home Fund is hereby created
18 within the State Treasury and, notwithstanding Section 13340 of
19 the Government Code, continuously appropriated to the department
20 for the purposes of this part. The department may use up to five
21 percent of the amount deposited in the fund for administrative
22 expenses in implementing this part.

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

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

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

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

30 5849.5. (a) The department may adopt guidelines or
31 regulations, in consultation with the California State Association
32 of Counties and other stakeholders, as necessary to exercise the
33 powers and perform the duties conferred or imposed on it by this
34 part. Any guideline or regulation adopted pursuant to this section
35 shall not be subject to the requirements of the Administrative
36 Procedure Act (Chapter 3.5 (commencing with Section 11340) of
37 Part 1 of Division 3 of Title 2 of the Government Code). The
38 department shall consult with key stakeholders including, but not
39 limited to, counties.

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

3 5849.6. For the purpose of administering Sections 5849.7 and
4 5849.8, the department shall organize counties into the following
5 competitive groupings based on population:

6 (a) The County of Los Angeles.

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

8 (c) Medium counties with a population between 200,000 to
9 750,000.

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

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

18 5849.7. (a) The department shall administer a competitive
19 program, pursuant to Section 5849.8, and distribution program,
20 pursuant to Section 5849.9, for awarding a total of two billion
21 dollars (\$2,000,000,000) among counties to finance capital costs
22 including, but not limited to, acquisition, design, construction,
23 rehabilitation, or preservation, and to capitalize operating
24 reserves, of permanent supportive housing for the target
25 population.

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

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

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

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

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

39 (5) Funds shall be offered as deferred payment loans to finance
40 capital costs including acquisition, design, construction,

1 *rehabilitation, or preservation, and to capitalize operating reserves*
2 *of, permanent supportive housing for the target population.*

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

5 *5849.8. (a) One billion eight hundred million dollars*
6 *(\$1,800,000,000) shall be allocated from the fund for the purposes*
7 *of the competitive program. The department shall develop a*
8 *competitive application process for the purpose of awarding*
9 *moneys pursuant to this section. In considering applications, the*
10 *department shall do all of the following:*

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

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

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

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

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

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

30 *(v) Other county funds.*

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

37 *(C) Meet other threshold requirements including, but not limited*
38 *to, developer capacity to develop, own, and operate a permanent*
39 *supportive housing development for the target population,*

1 application proposes a financially feasible development with
2 reasonable development costs.

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

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

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

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

12 (D) Project readiness.

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

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

21 (b) The department may establish an alternative process for
22 allocating funds directly to counties, as calculated in Section
23 5849.6, with at least five percent of the state's homeless population
24 and that demonstrate the capacity to directly administer loan funds
25 for permanent supportive housing serving the target population
26 and the ability to prioritize individuals with mental health
27 supportive needs who are homeless or at risk of chronic
28 homelessness, consistent with this part and as determined by the
29 department. The department shall adopt guidelines establishing
30 the parameters of an alternative process, if any, and requirements
31 for local administration of funds, including, but not limited to,
32 project selection process, eligible use of funds, loan terms, rent
33 and occupancy restrictions, provision of services, and reporting
34 and monitoring requirements. Counties participating in the
35 alternative process shall not be eligible for the competitive process
36 and shall be limited to funds in proportion to their share of the
37 percentage of the statewide homeless population, as calculated by
38 the department in Section 5849.6. Funds not committed to
39 supportive housing developments within two years following award
40 of funds to counties shall be returned to the state for the purposes

1 of the competitive program. The department shall consider the
2 following when selecting participating counties:

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

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

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

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

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

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

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

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

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

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

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

33 (e) (1) Any loans made by the department pursuant to this
34 section shall be in the form of secured deferred payment loans to
35 pay for the eligible costs of development. Principal and
36 accumulated interest is due and payable upon completion of the
37 term of the loan, which shall be established through program
38 guidelines adopted pursuant to Section 5849.5. The loan shall
39 bear simple interest at a rate of three percent per annum on the
40 unpaid principal balance. The department shall require annual

1 loan payments in the minimum amount necessary to cover the costs
2 of project monitoring. For the first 15 years of the loan term, the
3 amount of the required loan payments shall not exceed forty-two
4 hundredths of 1 percent per annum.

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

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

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

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

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

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

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

39 (B) Governs the terms of occupancy agreements.

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

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

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

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

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

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

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

17 5849.9. (a) In addition to the competitive program established
18 by Section 5849.8, the department shall distribute two hundred
19 million dollars (\$200,000,000) from the fund on an
20 “over-the-counter” basis to finance the construction,
21 rehabilitation, or preservation, and to capitalize operating
22 reserves, of permanent supportive housing for individuals in the
23 target population with a priority for those with mental health
24 supportive needs who are homeless or at risk of chronic
25 homelessness. Funds to be awarded pursuant to this section shall
26 be available to all counties within the state proportionate to the
27 number of homeless persons residing within each county as
28 calculated in Section 5849.6 or in the amount of five hundred
29 thousand dollars (\$500,000), whichever is greater.

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

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

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

5 5849.10. (a) The sum of six million two hundred thousand
6 dollars (\$6,200,000) is hereby appropriated from the Mental
7 Health Services Fund to the department to provide technical and
8 application preparation assistance to counties.

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

12 (1) Applying for program funds.

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

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

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

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

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

29 (1) To a large county and to the County of Los Angeles, the
30 department shall provide one hundred fifty thousand dollars
31 (\$150,000).

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

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

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

39 (e) The department may contract for expert technical assistance
40 and application preparation assistance. The department shall

1 *deploy such assistance to counties based upon a process to be*
2 *defined in guidelines.*

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

5 *5849.11. (a) The counties shall annually report to the*
6 *department on activities funded under this part, including*
7 *information on the funded supportive housing development.*
8 *Reported information shall include location of projects, number*
9 *of units assisted, occupancy restrictions, number of individuals*
10 *and households served, related income levels, and homeless,*
11 *veteran, and mental health status.*

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

16 *(1) The processes established for distributing funds.*

17 *(2) The distribution of funds among counties.*

18 *(3) Any recommendations as to modifications to the program*
19 *for the purpose of improving efficiency or furthering the goals of*
20 *the program.*

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

24 *5849.12. (a) Upon an appropriation of funds for the purpose*
25 *of this section, the department shall contract with a public or*
26 *private research university in this state to evaluate the program.*
27 *The department shall develop the research design and issue a*
28 *request for proposal for a contract for the evaluation, with the*
29 *assistance of the Legislative Analyst's Office and the Department*
30 *of Finance.*

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

35 *5849.13. An action to determine the legality of any action by*
36 *the department pursuant to this part may be brought pursuant to*
37 *Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of*
38 *the Code of Civil Procedure.*

39 *5849.14. The Department of Finance may authorize a loan*
40 *from the General Fund to the No Place Like Home Fund for*

1 *cashflow purposes in an amount not to exceed one million dollars*
2 *(\$1,000,000) subject to the following conditions:*

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

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

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

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

13 5897. (a) Notwithstanding any other provision of state law,
14 the State Department of Health Care Services shall implement the
15 mental health services provided by Part 3 (commencing with
16 Section 5800), Part 3.6 (commencing with Section 5840), and Part
17 4 (commencing with Section 5850) through contracts with county
18 mental health programs or counties acting jointly. A contract may
19 be exclusive and may be awarded on a geographic basis. For
20 purposes of this section, a county mental health program includes
21 a city receiving funds pursuant to Section 5701.5.

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

28 (c) The department shall implement the provisions of Part 3
29 (commencing with Section 5800), Part 3.2 (commencing with
30 Section 5830), Part 3.6 (commencing with Section 5840), and Part
31 4 (commencing with Section 5850) through the annual county
32 mental health services performance contract, as specified in Chapter
33 2 (commencing with Section 5650) of Part 2.

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

38 ~~(d)~~

39 (e) When a county mental health program is not in compliance
40 with its performance contract, the department may request a plan

1 of correction with a specific timeline to achieve improvements.
2 *The department shall post on its website any plans of correction*
3 *requested and the related findings.*

4 ~~(e)~~

5 (f) Contracts awarded by the State Department of Health Care
6 Services, the State Department of Public Health, the California
7 Mental Health Planning Council, the Office of Statewide Health
8 Planning and Development, and the Mental Health Services
9 Oversight and Accountability Commission pursuant to Part 3
10 (commencing with Section 5800), Part 3.1 (commencing with
11 Section 5820), Part 3.2 (commencing with Section 5830), Part 3.6
12 (commencing with Section 5840), Part 3.7 (commencing with
13 Section 5845), Part 4 (commencing with Section 5850), and Part
14 4.5 (commencing with Section 5890), may be awarded in the same
15 manner in which contracts are awarded pursuant to Section 5814
16 and the provisions of subdivisions (g) and (h) of Section 5814 shall
17 apply to those contracts.

18 ~~(f)~~

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

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

27 5899. (a) The State Department of Health Care Services, in
28 consultation with the Mental Health Services Oversight and
29 Accountability Commission and the County Behavioral Health
30 Directors Association of California, shall develop and administer
31 instructions for the Annual Mental Health Services Act Revenue
32 and Expenditure Report. *The instructions shall include a*
33 *requirement that the county certify the accuracy of this report.*
34 This report shall be submitted electronically to the department and
35 to the Mental Health Services Oversight and Accountability
36 Commission. *The department and the commission shall annually*
37 *post each county's report on its website in a timely manner.*

38 (b) *The department, in consultation with the commission and*
39 *the County Behavioral Health Directors Association of California,*
40 *shall revise the instructions described in subdivision (a) by July*

1 *1, 2017, and as needed thereafter, to improve the timely and*
2 *accurate submission of county revenue and expenditure data.*

3 ~~(b)~~

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

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

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

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

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

14 ~~(e)~~

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

17 (1) Children's systems of care.

18 (2) Prevention and early intervention strategies.

19 (3) Innovative projects.

20 (4) Workforce education and training.

21 (5) Adults and older adults systems of care.

22 (6) Capital facilities and technology needs.

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

27 *SEC. 8. The Legislature finds and declares that this act furthers*
28 *the intent of the Mental Health Services Act, enacted by Proposition*
29 *63 at the November 2, 2004, statewide general election.*

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

37 *SEC. 9. This act is a bill providing for appropriations related*
38 *to the Budget Bill within the meaning of subdivision (e) of Section*
39 *12 of Article IV of the California Constitution, has been identified*

1 *as related to the budget in the Budget Bill, and shall take effect*
2 *immediately.*
3 ~~SECTION 1. It is the intent of the Legislature to enact statutory~~
4 ~~changes, relating to the Budget Act of 2016.~~

O