

AMENDED IN ASSEMBLY AUGUST 18, 2016

AMENDED IN ASSEMBLY AUGUST 8, 2016

AMENDED IN ASSEMBLY MAY 25, 2016

SENATE BILL

No. 858

Introduced by Committee on Budget and Fiscal Review

January 7, 2016

An act to add Section 15463 to the Government Code, and to amend Sections 5849.1, 5849.2, 5849.3, 5849.4, 5849.5, 5849.7, 5849.8, 5849.9, 5849.11, 5849.14, 5890, and 5891 of, to add Section 5849.35 to, and to repeal and add Section 5849.13 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 858, as amended, Committee on Budget and Fiscal Review. No Place Like Home Program: financing.

(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 $\frac{2}{3}$ $\frac{2}{3}$ vote, provided that the amendment is consistent with and furthers the intent of the act.

Existing law, known as the No Place Like Home Program, requires the Department of Housing and Community Development to award \$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, as specified. Existing law requires the department to distribute \$1,800,000,000 through a competitive program and to allocate \$200,000,000 among all counties within this state on an “over-the-counter” population basis.

The bill would authorize the California Health Facilities Financing Authority and the department to, among other things, enter into contracts to provide services pursuant to the No Place Like Home Program related to permanent supportive housing. The bill would also authorize the authority to issue taxable or tax-exempt revenue bonds in an amount not to exceed \$2,000,000,000 for these purposes and to make secured or unsecured loans to the department in connection with financing permanent supportive housing pursuant to the No Place Like Home Program. The bill would require that the dollar limit on amounts distributed under the No Place Like Home Program be based on the principal amount of bonds issued by the authority and loaned to the department.

The bill would additionally authorize the use of moneys in the Mental Health Services Fund for the purposes of the No Place Like Home Program. The bill would also establish and continuously appropriate the Supportive Housing Program Subaccount in the Mental Health Services Fund. The bill would require the Controller, *no later than the last day of each month and* prior to any ~~transfer, deposit, transfer~~ or expenditure from the fund for any other ~~purpose, purpose for the following month~~, to transfer from the Mental Health Services Fund to the Supportive Housing Program Subaccount an amount necessary to cover the costs the authority is required to pay to the department pursuant to an above-described service contract, as determined by the authority but not to exceed an aggregate amount of ~~one hundred forty million (\$140,000,000)~~ \$140,000,000 per year. The bill would prohibit moneys in the Supportive Housing *Program* Subaccount from being loaned to the General Fund pursuant to specified statutes.

The bill would exempt service contracts between the department and the authority pursuant to these provisions from specified public contracting laws. The bill would also exempt loan agreements between the department and the authority and revenue bonds issued by the authority from any other law applicable to the execution of those agreements or issuance of those bonds, including the California Environmental Quality Act.

(2) Existing law establishes the No Place Like Home Fund and continuously appropriates the moneys in this fund to the Department of Housing and Community Development for the purposes of the No Place Like Home Program. Existing law requires the deposit *into the fund* of, among other moneys, any proceeds from the issuance of bonds by the Treasurer.

This bill would instead require the department to deposit into the fund the proceeds of loans derived from the issuance of bonds under this bill by the California Health Facilities Financing Authority. The bill would additionally continuously appropriate moneys in the fund to the Treasurer and the authority for purposes of the No Place Like Home Program.

(3) Existing law requires counties to annually report specified information to the Department of Housing and Community Development on activities funded under the No Place Like Home Program, including information on the funded supportive housing development. Existing law also requires the department to report specified information 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.

This bill would require the department to monitor *county* compliance ~~by counties with the grant and with applicable program regulations,~~ loan agreements and regulatory agreements ~~pursuant to which funds are distributed pursuant to the competitive portion of the No Place Like Home Program~~ *and any agreements related to the program that designate the department as a 3rd party beneficiary,* and enforce those agreements to the extent necessary and desirable in order to provide, to the greatest degree possible, the successful provision of permanent supportive housing. The bill would require the department to submit a report to the California Health Facilities Financing Authority by December 31 of each year, commencing with the year after the first full year in which the program is in effect, that contains specified information about the counties participating in the program and the services that have been provided pursuant to any service contracts between the department and the authority, as described above.

(4) Existing law establishes a procedure by which a public agency may bring an action in the superior court to determine the validity of any matter authorized by other law. Existing law authorizes an action under this procedure to determine the legality of any action by the Department of Housing and Community Development related to the No Place Like Home Program. Existing law requires the department to

issue its first request for proposal for the competitive program no later than 180 days, and to make its first allocation of “over-the-counter” funds within 60 days, after the deadline for appeals under the validation procedure.

This bill would recast this authorization to instead authorize an action to determine the validity of any service contract or loan agreement between the department and the California Health Facilities Financing Authority, as described above, in accordance with specified provisions governing actions to determine the validity of bonds, warrants, contracts, obligations, or evidences of indebtedness. The bill would instead require the department to issue its first request for proposal no later than 180 days, and to make its first allocation of “over-the-counter” funds as soon as reasonably practical, but no later than 150 days, after the effective date of a final judgment with no further opportunity for ~~appeals~~ *appeals*, in any court proceeding affirming the validity of the service contracts between the department and the authority and any bonds issued by the authority.

(5) Existing law authorizes the Department of Finance to authorize a loan from the General Fund to the No Place Like Home Fund for cashflow purposes in an amount not to exceed \$1,000,000. Existing law requires that a loan comply with certain requirements, including that the purpose of the loan is to allow the department to begin implementation activities related to the No Place Like Home Program, including drafting program guidelines and regulations.

This bill would instead authorize the Department of Finance to authorize one or more loans from the General Fund to the No Place Like Home Fund in an aggregate amount not to exceed \$2,000,000. The bill would additionally authorize loans for the purpose of allowing the Department of Housing and Community Development, the California Health Facilities Financing Authority, and the Treasurer to implement the above-described provisions pertaining to service contracts and loan agreements between the department and the authority and revenue bonds issued by the authority.

(6) Existing law makes various findings and declarations regarding the No Place Like Home Program.

This bill would make additional findings and declarations pertaining to the financing and implementation of the No Place Like Home Program. The bill would also make various technical and conforming changes to the No Place Like Home Program.

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

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

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

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

1 SECTION 1. Section 15463 is added to the Government Code,
2 to read:

3 15463. (a) For purposes of this section, the following
4 definitions shall apply:

5 (1) “No Place Like Home Program” has the same meaning as
6 “program” as defined in Section 5849.2 of the Welfare and
7 Institutions Code.

8 (2) “No Place Like Home Fund” means the No Place Like Home
9 Fund established pursuant to Section 5849.4 of the Welfare and
10 Institutions Code.

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

16 (b) The authority may issue taxable or tax-exempt revenue bonds
17 in an amount not to exceed two billion dollars (\$2,000,000,000),
18 exclusive of refunding bonds but including any net premium
19 derived from the sale of the bonds, pursuant to Sections 15441 to
20 15450, inclusive, for the purpose of financing permanent supportive
21 housing pursuant to the No Place Like Home Program ~~or to refund~~
22 ~~bonds previously issued pursuant to this section. and through loans~~
23 *under subdivision (d).* The authority may also utilize bond proceeds
24 to fund necessary ~~reserves; reserves for principal and interest,~~
25 capitalized interest, credit enhancement or liquidity costs, ~~or costs~~
26 ~~of issuance; issuance, administrative expenses under Section 5849.4~~
27 *of the Welfare and Institutions Code, and to reimburse loans under*
28 *Section 5849.14 of the Welfare and Institutions Code.*

29 (c) *The authority may provide for the issuance of bonds of the*
30 *authority for the purpose of redeeming, refunding, or retiring any*
31 *bonds or any series or issue of bonds then outstanding issued under*

1 *subdivision (b), including the payment of any redemption premium*
2 *thereon and any interest accrued or to accrue to the date of*
3 *redemption, purchase, or maturity of the bonds. Subdivisions (b)*
4 *and (c) of Section 15446 apply to, and in connection with, bonds*
5 *issued under this subdivision. Sections 15441 to 15445, inclusive,*
6 *and Sections 15447 to 15450, inclusive, apply to, and in connection*
7 *with, bonds issued under this subdivision in the same manner and*
8 *to the same extent as bonds issued under subdivision (b).*

9 ~~(e)~~

10 (d) The authority may make secured or unsecured loans to the
11 Department of Housing and Community Development in
12 connection with financing permanent supportive housing pursuant
13 to the No Place Like Home Program or to refund bonds previously
14 issued pursuant to this section, in accordance with an agreement
15 between the authority and the Department of Housing and
16 Community Development. *Loan proceeds may also be used to*
17 *fund reserves for principal and interest, capitalized interest, credit*
18 *enhancement and liquidity costs, expenses of funding, financing,*
19 *and refinancing, administrative expenses under Section 5849.4 of*
20 *the Welfare and Institutions Code, and to reimburse loans under*
21 *Section 5849.14 of the Welfare and Institutions Code.*

22 ~~(d) The~~

23 (e) *Each of the authority and the Department of Housing and*
24 *Community Development may enter into any agreement for credit*
25 *enhancement or liquidity, execute any instruments, and do any*
26 *other acts it deems necessary, convenient, or desirable in*
27 *connection with revenue bonds issued pursuant to this section or*
28 *carry out any power expressly granted pursuant to this section.*

29 ~~(e)~~

30 (f) (1) This section provides a complete, additional, and
31 alternative method for performing the acts authorized by this
32 section and shall be construed as supplemental and additional to
33 powers conferred by other laws; provided, however, that the
34 issuance of the bonds and refunding bonds and the execution of
35 any agreements under this section are not subject to, and need not
36 comply with, the requirements of any other law applicable to the
37 issuance of those bonds or refunding bonds and the execution of
38 those agreements, including, but not limited to, the California
39 Environmental Quality Act (Division 13 (commencing with Section
40 21000) of the Public Resources Code).

1 (2) Except as provided in paragraph (1), ~~the funding or financing~~
2 ~~of permanent supportive housing pursuant to the No Place Like~~
3 ~~Home Program pursuant to~~ *under* this section shall not exempt the
4 permanent supportive housing from the requirements of any other
5 law otherwise applicable to the ~~project~~. *permanent supportive*
6 *housing*.

7 SEC. 2. Section 5849.1 of the Welfare and Institutions Code
8 is amended to read:

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

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

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

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

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

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

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

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

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

38 (8) For every dollar of bond funds invested in permanent
39 supportive housing, the state and local governments can leverage
40 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 reductions
9 in cost of more than 70 percent, including potentially less
10 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 (13) The Department of Housing and Community Development
17 is the state entity with sufficient expertise to implement and oversee
18 a grant or loan program for permanent supportive housing of the
19 target population.

20 (14) The California Health Facilities Financing Authority is
21 authorized by law to issue bonds and to consult with the Mental
22 Health Services Oversight and Accountability Commission and
23 the *State* Department of Health Care Services concerning the
24 implementation of a grant or loan program for California counties
25 to support the development of programs that increase access to,
26 and capacity for, crisis mental health services. It is therefore
27 appropriate for the authority to issue bonds and contract for services
28 with the Department of Housing and Community Development to
29 provide grants or loans to California counties for permanent
30 supportive housing for the target population.

31 (15) Use of bond funding will accelerate the availability of
32 funding for the grant or loan program to provide permanent
33 supportive housing for the target population as compared to relying
34 on annual allocations from the Mental Health Services Fund and
35 better allow counties to provide permanent supportive housing for
36 homeless individuals living with mental illness.

37 (16) The findings and declarations set forth in subdivision (c)
38 of Section 5849.35 are hereby incorporated herein.

39 SEC. 3. Section 5849.2 of the Welfare and Institutions Code
40 is amended to read:

1 5849.2. As used in this part, the following definitions shall
2 apply:

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

11 (b) “Authority” means the California Health Facilities Financing
12 Authority established pursuant to Part 7.2 (commencing with
13 Section 15430) of Division 3 of Title 2 of the Government Code.

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

17 (d) “Commission” means the Mental Health Services Oversight
18 and Accountability Commission established by Section 5845.

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

21 (f) “County” includes, but is not limited to, a city and county,
22 and a city receiving funds pursuant to Section 5701.5.

23 (g) “Department” means the Department of Housing and
24 Community Development.

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

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

29 (j) “Homeless” has the same meaning as defined in Section
30 578.3 of Title 24 of the Code of Federal Regulations, as that section
31 read on May 1, 2016.

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

37 (l) “Program” means the process for awarding funds and
38 distributing moneys to applicants established in Sections 5849.7,
39 5849.8, and 5849.9 and the ongoing monitoring and enforcement

1 of the applicants' activities pursuant to ~~Section~~ *Sections* 5849.8,
2 5849.9, and 5849.11.

3 (1) "Competitive program" means that portion of the program
4 established by Section 5849.8.

5 (2) "Distribution program" means that portion of the program
6 described in Section 5849.9.

7 (m) "Target population" means individuals or households as
8 provided in Section 5600.3 who are homeless, chronically
9 homeless, or at risk of chronic homelessness.

10 SEC. 4. Section 5849.3 of the Welfare and Institutions Code
11 is amended to read:

12 5849.3. (a) There is hereby established the No Place Like
13 Home Program Advisory Committee. Membership on the
14 committee shall be as follows:

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

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

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

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

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

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

25 (7) A chief administrative officer of a small county or a member
26 of a county board of supervisors of a small county, as provided by
27 subdivision (d) of Section 5849.6, to be appointed by the Governor.

28 (8) A chief administrative officer of a large county or a member
29 of a county board of supervisors of a large county, as provided by
30 subdivision (b) of Section 5849.6, to be appointed by the Governor.

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

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

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

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

1 (13) A representative of a community mental health
2 organization, to be appointed by the Senate ~~Rules Committee.~~
3 *Committee on Rules.*

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

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

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

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

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

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

16 SEC. 5. Section 5849.35 is added to the Welfare and
17 Institutions Code, to read:

18 5849.35. (a) The authority may do all of the following:

19 (1) Consult with the commission and the *State* Department of
20 Health Care Services concerning the implementation of the No
21 Place Like Home Program, including the review of annual reports
22 provided to the authority by the department pursuant to Section
23 5849.11.

24 (2) Enter into one or more contracts with the department for the
25 department to provide, and the authority to pay the department for
26 providing, services described in Sections 5849.7, 5849.8, and
27 5849.9, related to permanent supportive housing for the target
28 population. Prior to entering into any contract pursuant to this
29 paragraph, the executive director of the authority shall transmit *to*
30 *the commission* a copy of the contract ~~approved by the authority~~
31 ~~to the commission.~~ *in substantially final form.* The contract shall
32 be deemed approved by the commission unless it acts within 10
33 days to disapprove the contract.

34 (3) On or before June 15 and December 15 of each year, the
35 authority shall ~~notify~~ *certify to* the Controller ~~of~~ the amounts the
36 authority is required to pay as provided in Section 5890 for the
37 following six-month period to the department pursuant to any
38 service contract entered into pursuant to paragraph (2).

39 (b) The department may do all of the following:

1 (1) Enter into one or more contracts with the authority to provide
2 services described in ~~Section~~ *Sections* 5849.7, 5849.8, and 5849.9,
3 related to permanent supportive housing for the target population.
4 Payments received by the department under any service contract
5 authorized by this paragraph shall be used, prior to any other
6 allocation or distribution, to repay loans from the authority pursuant
7 to Section 15463 of the Government Code.

8 (2) Enter into one or more loan agreements with the authority
9 as security for the repayment of the revenue bonds issued by the
10 authority pursuant to Section 15463 of the Government Code. The
11 department shall deposit the proceeds of these loans, excluding
12 any *refinancing* loans ~~relating to refunding to redeem, refund, or~~
13 *retire* bonds, into the fund. The department's ~~obligation to repay~~
14 *obligations to make payments under these loans* ~~loan agreements~~
15 shall be limited ~~to obligations payable solely from~~ amounts
16 received pursuant to its service contracts with the authority.

17 (3) The department may *pledge and* assign its right to receive
18 *all or a portion of the* payments under the service contracts entered
19 into pursuant to paragraph (1) directly to the authority or its bond
20 ~~trustee, which may be the Treasurer.~~ *trustee for the payment of*
21 *principal, premiums, if any, and interest under any loan agreement*
22 *authorized by paragraph (2).*

23 (c) The Legislature hereby finds and declares both of the
24 following:

25 (1) The consideration to be paid by the authority to the
26 department for the services provided pursuant to the contracts
27 authorized by paragraph (2) of subdivision (a) and paragraph (1)
28 of subdivision (b) is fair and reasonable and in the public interest.

29 (2) The service contracts and payments made by the authority
30 to the department pursuant to a service contract authorized by
31 paragraph (2) of subdivision (a) and paragraph (1) of subdivision
32 (b) and the loan agreements and loan repayments made by the
33 department to the authority pursuant to a loan agreement authorized
34 by paragraph (2) of subdivision (b) shall not constitute a debt or
35 liability, or a pledge of the faith and credit, of the state or any
36 political subdivision.

37 (d) The state hereby covenants with the holders from time to
38 time of any bonds issued by the authority pursuant to Section 15463
39 of the Government Code that it will not alter, amend, or restrict
40 the provisions of this section, subdivision (f) of Section 5890, or

1 subdivision (b) of Section 5891 in any manner adverse to the
2 interests of those bondholders so long as any of those bonds remain
3 outstanding. The authority may include this covenant in the
4 resolution, indenture, or other documents governing the bonds.

5 (e) Agreements under this section are not subject to, and need
6 not comply with, the requirements of any other law applicable to
7 the execution of those agreements, including, but not limited to,
8 the California Environmental Quality Act (Division 13
9 (commencing with Section 21000) of the Public Resources Code).

10 (f) Part 2 (commencing with Section 10290) of Division 2 of
11 the Public Contract Code shall not apply to any contract entered
12 into between the authority and the department under this section.

13 SEC. 6. Section 5849.4 of the Welfare and Institutions Code
14 is amended to read:

15 5849.4. (a) The No Place Like Home Fund is hereby created
16 within the State Treasury and, notwithstanding Section 13340 of
17 the Government Code, continuously appropriated to the
18 department, the authority, and the Treasurer for the purposes of
19 this part. *Accounts and subaccounts may be created within the*
20 *fund as needed.* Up to ~~five~~ 5 percent of the amount deposited in
21 the fund may be used for administrative expenses in implementing
22 this part.

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

24 (1) Any moneys from the receipt of loan proceeds by the
25 department derived from the issuance of bonds by the authority
26 ~~for the purpose of implementing the program. under subdivision~~
27 *(b) of Section 15463 of the Government Code.*

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

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

32 SEC. 7. Section 5849.5 of the Welfare and Institutions Code
33 is amended to read:

34 5849.5. The department may adopt guidelines or regulations,
35 including emergency regulations to expedite the award of moneys
36 pursuant to this part, in consultation with the California State
37 Association of Counties and other stakeholders, as necessary to
38 exercise the powers and perform the duties conferred or imposed
39 on it by this part. Any guideline or regulation adopted pursuant to
40 this section shall not be subject to the requirements of the

1 Administrative Procedure Act (Chapter 3.5 (commencing with
2 Section 11340) of Part 1 of Division 3 of Title 2 of the Government
3 Code). The department shall consult with key stakeholders,
4 including, but not limited to, counties.

5 SEC. 8. Section 5849.7 of the Welfare and Institutions Code
6 is amended to read:

7 5849.7. (a) In order to finance permanent supportive housing
8 for the target population, the department may enter into one or
9 more contracts with the authority as authorized pursuant to Section
10 5849.35 to provide services for the benefit of the people of the
11 state as described in this section and Sections 5849.8 and 5849.9.
12 The department shall use its best efforts to provide or cause to be
13 provided permanent supportive housing for the target population
14 in consideration for service contract payments to be received from
15 the authority.

16 (b) ~~In furtherance of its service obligations under~~ *Under* any
17 service contract with the authority, the department shall administer
18 a competitive program, pursuant to Section 5849.8, and distribution
19 program, pursuant to Section 5849.9, for awarding a total amount
20 not to exceed two billion dollars (\$2,000,000,000) among counties
21 to finance capital costs including, but not limited to, acquisition,
22 design, construction, rehabilitation, or preservation, and to
23 capitalize operating reserves, of permanent supportive housing for
24 the target population. For purposes of this section and ~~Section~~
25 *Sections* 5849.8 and 5849.9, measurement of the dollar limit on
26 amounts to be distributed by the department shall be based on the
27 principal amount of bonds issued by the authority and loaned to
28 the department, exclusive of any refunding bonds but including
29 any net premium derived from the sale of the bonds, for deposit
30 in the fund. There shall be no dollar limit on the distribution of
31 moneys in the fund derived from the sources described in
32 paragraphs (2) and (3) of subdivision (b) of Section 5849.4.

33 (c) For the competitive program established by Section 5849.8,
34 the following shall apply:

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

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

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

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

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

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

13 SEC. 9. Section 5849.8 of the Welfare and Institutions Code
14 is amended to read:

15 5849.8. (a) ~~In furtherance of the department's obligations to~~
16 ~~the authority under~~ *Under* any service contract entered into
17 pursuant to Section 5849.35, the department may allocate an
18 amount not to exceed one billion eight hundred million dollars
19 (\$1,800,000,000) from the fund for the purposes of the competitive
20 program described in this subdivision and the alternative process
21 described in subdivision (b). The department shall develop a
22 competitive application process for the purpose of awarding
23 moneys pursuant to this section. In considering applications, the
24 department shall do all of the following:

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

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

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

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

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

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

5 (v) Other county funds.

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

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

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

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

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

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

26 (D) Project readiness.

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

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

35 (b) The department may establish an alternative process for
36 allocating funds directly to counties, as calculated in Section
37 5849.6, with at least ~~five~~ 5 percent of the state’s homeless
38 population and that demonstrate the capacity to directly administer
39 loan funds for permanent supportive housing serving the target
40 population and the ability to prioritize individuals with mental

1 health supportive needs who are homeless or at risk of chronic
2 homelessness, consistent with this part and as determined by the
3 department. The department shall adopt guidelines establishing
4 the parameters of an alternative process, if any, and requirements
5 for local administration of funds, including, but not limited to,
6 project selection process, eligible use of funds, loan terms, rent
7 and occupancy restrictions, provision of services, and reporting
8 and monitoring requirements. Counties participating in the
9 alternative process shall not be eligible for the competitive process
10 and shall be limited to funds in proportion to their share of the
11 percentage of the statewide homeless population, as calculated by
12 the department in Section 5849.6. Funds not committed to
13 supportive housing developments within two years following award
14 of funds to counties shall be returned to the state for the purposes
15 of the competitive program. The department shall consider the
16 following when selecting participating counties:

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

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

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

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

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

29 (d) The department shall award funds for the competitive
30 program in at least four rounds as follows:

31 (1) The department shall issue its first request for proposal for
32 the competitive program no later than 180 days after the effective
33 date of a final judgment, with no further opportunity for appeals,
34 in any court proceeding affirming the validity of the contracts
35 authorized by the authority and the department pursuant to Section
36 5849.35 and any bonds authorized to be issued by the authority
37 pursuant to Section 15463 of the Government Code and any
38 contracts related to those bonds.

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

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

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

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

11 (e) (1) Any loans made by the department pursuant to this
12 section shall be in the form of secured deferred payment loans to
13 pay for the eligible costs of development. ~~Principal~~ *All unpaid*
14 *principal* and accumulated interest is due and payable ~~upon~~ *no*
15 *later than* completion of the term of the loan, which shall be
16 established through program guidelines adopted pursuant to Section
17 5849.5. The loan shall bear simple interest at a rate of ~~three~~ *3*
18 *percent per annum* on the unpaid principal balance. The department
19 shall require annual loan payments in the minimum amount
20 necessary to cover the costs of project monitoring. For the first 15
21 years of the loan term, the amount of the required loan payments
22 shall not exceed forty-two hundredths of 1 percent per annum.

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

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

29 (f) (1) The department may designate an amount not to exceed
30 ~~four~~ *4* percent of funds allocated for the competitive program, not
31 including funding allocated pursuant to subdivision (b), in order
32 to cure or avert a default on the terms of any loan or other
33 obligation by the recipient of financial assistance, or bidding at
34 any foreclosure sale where the default or foreclosure sale would
35 jeopardize the department's security in the rental housing
36 development assisted pursuant to this part. The funds so designated
37 shall be known as the "default reserve."

38 (2) The department may use default reserve funds made
39 available pursuant to this section to repair or maintain any rental

1 housing development assistance pursuant to this part to protect the
2 department's security interest.

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

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

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

18 (B) Governs the terms of occupancy agreements.

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

21 (D) Provides for periodic inspections and review of yearend
22 fiscal audits and related reports by the department.

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

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

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

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

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

35 (h) (1) The department shall monitor *county* compliance ~~by~~
36 ~~counties of the grant and~~ *with applicable program regulations,*
37 ~~loan agreements and regulatory agreements pursuant to which~~
38 ~~funds are distributed pursuant to this section, and to which~~ *and*
39 *any agreements related to the program that designate the*
40 ~~department may be as a third party~~ *third-party* beneficiary, and

1 enforce those *regulations and* agreements to the extent necessary
2 and desirable in order to provide, to the greatest degree possible,
3 the successful provision of permanent supportive housing.

4 (2) The department shall annually report to the authority the
5 status of its efforts pursuant to this section and Section 5849.9, as
6 set forth in Section 5849.11.

7 (i) The department may provide technical assistance to counties
8 or developers of supportive housing to facilitate the construction
9 of permanent supportive housing for *the target populations*.
10 *population*.

11 SEC. 10. Section 5849.9 of the Welfare and Institutions Code
12 is amended to read:

13 5849.9. (a) ~~In furtherance of the department's obligations to~~
14 ~~the authority under~~ *Under* any service contract entered into under
15 Section 5849.35, in addition to the competitive program established
16 by Section 5849.8, the department may distribute an amount not
17 to exceed two hundred million dollars (\$200,000,000) from the
18 fund on an "over-the-counter" basis to finance the construction,
19 rehabilitation, or preservation, and to capitalize operating reserves,
20 of permanent supportive housing for individuals in the target
21 population with a priority for those with mental health supportive
22 needs who are homeless or at risk of chronic homelessness. Funds
23 to be awarded pursuant to this section shall be available to all
24 counties within the state proportionate to the number of homeless
25 persons residing within each county as calculated in Section 5849.6
26 or in the amount of five hundred thousand dollars (\$500,000),
27 whichever is greater. A county receiving these funds shall commit
28 to provide mental health supportive services and coordinate the
29 provision of, or referral to, other services, including, but not limited
30 to, substance abuse treatment services, to the tenants of the
31 supportive housing development for at least 20 years. Services
32 shall be provided onsite at the supportive housing development or
33 at a location otherwise easily accessible to the tenants.

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

37 (c) The moneys described in subdivision (a) shall be
38 administered either in accordance with the procedures for awarding
39 funds to local agencies established by the existing Mental Health
40 Services Act housing program administered by the *State*

1 Department of Health Care Services and the California Housing
2 Finance Agency or alternative procedures developed by the
3 department for distributing these moneys that enhance the
4 efficiency and goals of the distribution program.

5 (d) The department shall make the first allocation of moneys
6 pursuant to this section as soon as reasonably practical and in any
7 event no later than 150 days after the effective date of a final
8 judgment, with no further opportunity for appeals, in any court
9 proceeding affirming the validity of the contracts authorized by
10 the authority and the department pursuant to Section 5849.35 and
11 any bonds authorized to be issued by the authority pursuant to
12 Section 15463 of the Government Code and any contracts related
13 to those bonds.

14 SEC. 11. Section 5849.11 of the Welfare and Institutions Code
15 is amended to read:

16 5849.11. (a) The counties shall annually report to the
17 department on activities funded under this part, including
18 information on the funded supportive housing development.
19 Reported information shall include location of projects, number
20 of units assisted, occupancy restrictions, number of individuals
21 and households served, related income levels, and homeless,
22 veteran, and mental health status.

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

27 (1) The processes established for distributing funds.

28 (2) The distribution of funds among counties.

29 (3) Any recommendations as to modifications to the program
30 for the purpose of improving efficiency or furthering the goals of
31 the program.

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

35 (d) The department shall submit a report to the authority by
36 December 31 of each year, commencing with the year after the
37 first full year in which the program is in effect, that contains the
38 information described in subdivision (a) and paragraphs (1) and
39 (2) of subdivision (b) for all counties participating in the program

1 and the services that have been provided pursuant to any service
2 contracts entered into pursuant to Section 5849.35.

3 SEC. 12. Section 5849.13 of the Welfare and Institutions Code
4 is repealed.

5 SEC. 13. Section 5849.13 is added to the Welfare and
6 Institutions Code, to read:

7 5849.13. An action to determine the validity of any contract
8 or loan authorized pursuant to Section 5849.35 or of any bond
9 authorized to be issued pursuant to Section 15463 of the
10 Government Code, and any contracts related to those bonds, may
11 be brought in accordance with Section 17700 of the Government
12 Code.

13 SEC. 14. Section 5849.14 of the Welfare and Institutions Code
14 is amended to read:

15 5849.14. The Department of Finance may authorize one or
16 more loans from the General Fund to the No Place Like Home
17 Fund for cashflow purposes in an aggregate amount not to exceed
18 two million dollars (\$2,000,000) subject to the following
19 conditions:

20 (a) The loans are for either of the following purposes:

21 (1) To allow the department to begin program implementation
22 activities, including, but not limited to, drafting program guidelines
23 and regulations.

24 (2) To allow the department, the authority, and the Treasurer
25 to implement Section 5849.35 of this code and Section 15463 of
26 the Government Code, including, but not limited to, payment for
27 financial advisory and legal services to prepare for, and in
28 connection with, any validation action pursuant to Section 5849.13
29 or any other court action regarding this part or Section 15463 of
30 the Government Code.

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

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

36 SEC. 15. Section 5890 of the Welfare and Institutions Code is
37 amended to read:

38 5890. (a) The Mental Health Services Fund is hereby created
39 in the State Treasury. The fund shall be administered by the state.
40 Notwithstanding Section 13340 of the Government Code, all

1 moneys in the fund are, except as provided in subdivision (d) of
2 Section 5892, continuously appropriated, without regard to fiscal
3 years, for the purpose of funding the following programs and other
4 related activities as designated by other provisions of this division:

5 (1) Part 3 (commencing with Section 5800), the Adult and Older
6 Adult System of Care Act.

7 (2) Part 3.2 (commencing with Section 5830), Innovative
8 Programs.

9 (3) Part 3.6 (commencing with Section 5840), Prevention and
10 Early Intervention Programs.

11 (4) Part 3.9 (commencing with Section 5849.1), No Place Like
12 Home Program.

13 (5) Part 4 (commencing with Section 5850), the Children's
14 Mental Health Services Act.

15 (b) Nothing in the establishment of this fund, nor any other
16 provisions of the act establishing it or the programs funded shall
17 be construed to modify the obligation of health care service plans
18 and disability insurance policies to provide coverage for mental
19 health services, including those services required under Section
20 1374.72 of the Health and Safety Code and Section 10144.5 of the
21 Insurance Code, related to mental health parity. Nothing in this
22 act shall be construed to modify the oversight duties of the
23 Department of Managed Health Care or the duties of the
24 Department of Insurance with respect to enforcing these obligations
25 of plans and insurance policies.

26 (c) Nothing in this act shall be construed to modify or reduce
27 the existing authority or responsibility of the State Department of
28 Health Care Services.

29 (d) The State Department of Health Care Services shall seek
30 approval of all applicable federal Medicaid approvals to maximize
31 the availability of federal funds and eligibility of participating
32 children, adults, and seniors for medically necessary care.

33 (e) Share of costs for services pursuant to Part 3 (commencing
34 with Section ~~5800~~; 5800) and Part 4 (commencing with Section
35 5850) of this division, shall be determined in accordance with the
36 Uniform Method ~~for~~ of Determining Ability to Pay applicable to
37 other publicly funded mental health services, unless this Uniform
38 Method is replaced by another method of determining copayments,
39 in which case the new method applicable to other mental health
40 services shall be applicable to services pursuant to Part 3

1 (commencing with Section ~~5800~~; 5800) and Part 4 (commencing
2 with Section 5850) of this division.

3 (f) The Supportive Housing Program Subaccount is hereby
4 created in the Mental Health Services Fund. Notwithstanding
5 Section 13340 of the Government Code, all moneys in the
6 subaccount are *reserved and* continuously appropriated, without
7 regard to fiscal years, to the California Health Facilities Financing
8 Authority to provide funds to meet its financial obligations pursuant
9 to any service contracts entered into pursuant to Section 5849.35.
10 Notwithstanding any other law, including any other provision of
11 this section, ~~starting on the first~~ *no later than the last* day of each
12 month, the Controller shall, prior to any ~~transfer, deposit, transfer~~
13 or expenditure from the fund for any other ~~purpose~~, *purpose for*
14 *the following month*, transfer from the Mental Health Services
15 Fund to the Supportive Housing Program Subaccount an amount
16 which has been certified by the California Health Facilities
17 Financing Authority pursuant to paragraph (3) of subdivision (a)
18 of Section 5849.35, but not to exceed an aggregate amount of one
19 hundred forty million dollars (\$140,000,000) per year. If in any
20 month the amounts in the *Mental Health Services Fund are*
21 *insufficient to fully transfer to the subaccount or the amounts in*
22 *the subaccount are insufficient to fully pay the amount certified*
23 *by the California Health Facilities Financing Authority, the*
24 *shortfall shall be carried over to the next month. Moneys in the*
25 *Supportive Housing Program Subaccount shall not be loaned to*
26 *the General Fund pursuant to* ~~Sections~~ *Section* 16310 or 16381 of
27 the Government Code.

28 SEC. 16. Section 5891 of the Welfare and Institutions Code is
29 amended to read:

30 5891. (a) The funding established pursuant to this act shall be
31 utilized to expand mental health services. Except as provided in
32 subdivision (j) of Section 5892 due to the state's fiscal crisis, these
33 funds shall not be used to supplant existing state or county funds
34 utilized to provide mental health services. The state shall continue
35 to provide financial support for mental health programs with not
36 less than the same entitlements, amounts of allocations from the
37 General Fund or from the Local Revenue Fund 2011 in the State
38 Treasury, and formula distributions of dedicated funds as provided
39 in the last fiscal year which ended prior to the effective date of
40 this act. The state shall not make any change to the structure of

1 financing mental health services, which increases a county's share
2 of costs or financial risk for mental health services unless the state
3 includes adequate funding to fully compensate for such increased
4 costs or financial risk. These funds shall only be used to pay for
5 the programs authorized in Sections 5890 and 5892. These funds
6 may not be used to pay for any other program. These funds may
7 not be loaned to the ~~state~~ General Fund or any other fund of the
8 state, or a county general fund or any other county fund for any
9 purpose other than those authorized by ~~Section~~ *Sections* 5890 and
10 5892.

11 (b) (1) Notwithstanding subdivision (a), and except as provided
12 in paragraph (2), the Controller may use the funds created pursuant
13 to this part for loans to the General Fund as provided in Sections
14 16310 and 16381 of the Government Code. Any such loan shall
15 be repaid from the General Fund with interest computed at 110
16 percent of the Pooled Money Investment Account rate, with interest
17 commencing to accrue on the date the loan is made from the fund.
18 This subdivision does not authorize any transfer that would
19 interfere with the carrying out of the object for which these funds
20 were created.

21 (2) This subdivision does not apply to the Supportive Housing
22 Program Subaccount created by subdivision (f) of Section 5890
23 or any moneys paid by the California Health Facilities Financing
24 Authority to the Department of Housing and Community
25 Development as a service fee pursuant to a service contract
26 authorized by Section 5849.35.

27 (c) Commencing July 1, 2012, on or before the 15th day of each
28 month, pursuant to a methodology provided by the State
29 Department of Health Care Services, the Controller shall distribute
30 to each Local Mental Health Service Fund established by counties
31 pursuant to subdivision (f) of Section 5892, all unexpended and
32 unreserved funds on deposit as of the last day of the prior month
33 in the Mental Health Services Fund, established pursuant to Section
34 5890, for the provision of programs and other related activities set
35 forth in Part 3 (commencing with Section 5800), Part 3.2
36 (commencing with Section 5830), Part 3.6 (commencing with
37 Section 5840), *Part 3.9 (commencing with Section 5849.1)*, and
38 Part 4 (commencing with Section 5850).

39 (d) Counties shall base their expenditures on the county mental
40 health program's three-year program and expenditure plan or

1 annual update, as required by Section 5847. Nothing in this
2 subdivision shall affect subdivision (a) or (b).

3 SEC. 17. The Legislature finds and declares that this act
4 furthers the intent of the Mental Health Services Act, enacted by
5 Proposition 63 at the November 2, 2004, statewide general election.

6 SEC. 18. This act is a bill providing for appropriations related
7 to the Budget Bill within the meaning of subdivision (e) of Section
8 12 of Article IV of the California Constitution, has been identified
9 as related to the budget in the Budget Bill, and shall take effect
10 immediately.