



GOVERNOR NEWSOM'S TRANSFORMATION OF MENTAL HEALTH SERVICES

Housing with Accountability. Reform with Results.

- Major structural reform to the MHSA for the first time in nearly two decades, since voters passed the Mental Health Services Act in 2004.
- A \$6.38 billion dollar bond for 10,000 new treatment beds and supportive housing units, helping serve over 100,000 people each year.
- Accountability with results for people with mental health and substance use disorders, including for children and youth, veterans, and unhoused people.

Together with the Legislature, local officials, labor leaders, community organizations, providers, and more, Governor Gavin Newsom is proposing a major transformation of the State's behavioral health care system – making good on decades-old promises.

This effort will **build 10,000 new treatment beds and housing units, helping serve over 100,000 people each year, with \$6.38 billion funded by a bond on the March 2024 ballot** to provide the resources needed to care for and house those with the most severe mental health needs and substance use disorders. It will update the Mental Health Services Act (MHSA) passed by voters 20 years ago **to focus funds where they are most needed now.**

- **SB 326: REFORM – Modernizes and reforms the Mental Health Services Act (MHSA)**, which was passed as Proposition 63 by voters in 2004. These reforms expand services to include treatment for those with substance use disorders, prioritizing care for those with the most serious mental illness, providing ongoing resources for housing and workforce, and continuing investments in prevention, early intervention, and innovative pilot programs. This bill would reform our system of care to prioritize what Californians need today with new and increased accountability for real results for all families and communities.
- **AB 531: BUILD – A \$6.38 billion general obligation bond** to build 10,000 new treatment beds and supportive housing units to help serve more than 100,000 people annually. This investment would be the single largest expansion of California's behavioral health treatment and residential settings in our state's history – creating new, dedicated housing for people experiencing or at risk of homelessness who have behavioral health needs, with a dedicated investment to serve veterans. These settings will provide Californians experiencing behavioral health conditions a place to stay while safely stabilizing, healing, and receiving ongoing support.

Combined, these bills would dramatically increase the State's capacity to provide behavioral health care and housing with **strengthened accountability for real results**, while creating good jobs. These reforms would complement and build upon Governor Newsom's unprecedented **Mental Health Movement** that is increasing access to mental health care for all whether insured through Medi-Cal or private insurance; providing treatment and housing to those in crisis and with serious mental illnesses; supporting and serving kids and young adults; and building our health care workforce.

The behavioral health modernization package will go to the **voters for approval on the March 2024 ballot**, after consideration and approval by the Legislature and Governor Newsom's signature.

SB 326: REFORM

REFORMING BEHAVIORAL HEALTH CARE FUNDING TO PROVIDE SERVICES TO THOSE WITH THE MOST SERIOUS ILLNESS & TO TREAT SUBSTANCE USE DISORDERS.

- Expands eligible services to include treatment for substance use disorders (SUDs) alone, and allows counties to use funds in combination with other state and federal funds to expand SUD services. Because of the expansion to cover SUD, the bill updates the name of the MHSA to the Behavioral Health Services Act (BHSA).
- Recognizes the need for ongoing funding for treatment beds and housing with supports to address a variety of serious behavioral health disorders.
- Modernizes county allocations (**90% of total BHSA funds**) to require the following priorities and encourages innovation in each area:
 - 30% for Housing Interventions for children and families, youth, adults, and older adults living with serious mental illness/serious emotional disturbance (SMI/SED) and/or SUD who are experiencing homelessness or are at risk of homelessness.
 - Authorizes housing interventions to include rental subsidies, operating subsidies, shared housing, family housing for children and youth who meet criteria, and the non-federal share for certain transitional rent.
 - Half of this amount (50%) is prioritized for housing interventions for the chronically homeless.
 - Up to 25% may be used for capital development.
 - 35% for Full Service Partnership (FSP) programs, which are the most effective model of comprehensive and intensive care for people at any age with the most complex needs (also known as the "whatever it takes" model). These funds will be used to expand the number of FSP slots available across the state and are key to CARE Court's successful implementation.
 - 35% for Behavioral Health Services and Supports, including early intervention, outreach and engagement, workforce education and

training, capital facilities, technological needs, and innovative pilots and projects, to strengthen the range of services individuals, families, and communities need.

- A majority (51%) of this amount must be used for Early Intervention in the early signs of mental illness or substance misuse.
 - A majority (51%) of these Early Intervention services and supports must be for people 25 years and younger.
- Provides counties with flexibility within the above funding areas by allowing each county to move up to 7% from one category into another, for a maximum of 14% more added into any one category, to allow counties to address their different local needs and priorities – based on data and community input.
- **Creates new state-wide, state-led investments (10% of total BHSA funds):**
 - Prevention (4% of total funding) through population-based programming on behavioral health and wellness to increase awareness about resources and stop behavioral health problems before they start. These strategies target the entire population at the state, county, or a particular community level - to reduce the risk of individuals developing a mental health or substance use disorder. For example, in school-linked settings, this prevention funding must focus on school-wide or classroom-based mental health and substance use disorder programs, not individual services (which are funded by other sources).
 - A majority of Prevention (51%) programming must serve people 25 years and younger.
 - Workforce (3% of total funding) investments to expand a culturally-competent and well-trained behavioral health workforce to address our statewide need, and leverage those dollars to draw down additional federal funding that will benefit the entire state system with a \$2.4 billion investment over 5 years.
 - Statewide oversight and monitoring (3% of total funding)- to develop statewide outcomes, conduct oversight of county outcomes, train and provide technical assistance, research and evaluate, and administer programs.
 - \$20 million for a new Innovation Partnership Fund

EXPANDING THE BEHAVIORAL HEALTH WORKFORCE TO REFLECT AND CONNECT WITH CALIFORNIA'S DIVERSE POPULATION.

The proposal recognizes and supports the critical need to expand a culturally-competent and well-trained behavioral health care workforce to address behavioral health capacity shortages and expand access to services.

- Provides up to 3% of annual BHSA funds for the California Health and Human Services Agency (CalHHS), in collaboration with the Department of Health Care Access and Information, to implement a statewide behavioral health workforce initiative, including leveraging federal dollars for a \$2.4 billion workforce initiative under BH-CONNECT, a proposed federal waiver.

- Authorizes counties to also fund additional, local workforce initiatives using resources from their local BHSA allocation prioritized for Behavioral Health Services and Supports, including workforce education and training.

FOCUSING ON OUTCOMES, ACCOUNTABILITY, AND EQUITY.

OUTCOMES: The proposal replaces the existing MHSA funding-specific plan with a new County Integrated Plan for Behavioral Health Services and Outcomes, which includes all local behavioral health funding and services, including Medi-Cal.

- Requires counties to demonstrate coordinated behavioral health planning using all services and sources of behavioral health funding (e.g., BHSA, opioid settlement funds, realignment funding, federal financial participation), to provide increased transparency, stakeholder engagement, and outcomes for all local services.
- Requires stratified local data analysis to identify behavioral health disparities in geography and demography, including age, gender, ethnicity, and race, and include approaches to eliminate those disparities.
- Requires the Department of Health Care Services (DHCS) to work with counties and stakeholders to establish outcome metrics for state and county behavioral health services and programs.

ACCOUNTABILITY: The proposal establishes a new, annual County Behavioral Health Outcomes, Accountability, and Transparency Report to provide public visibility into county results, disparities, spending, and longitudinal impact on homelessness.

- Requires counties to report to DHCS their annual services, outcomes, and expenditures of state and federal behavioral health funds, unspent dollars, and other information. Authorizes DHCS to impose corrective action plans on counties that fail to meet the requirements established by this section.
- Authorizes an additional 2% (and up to 4% for counties with a population of 200,000 or less) of local BHSA revenue to counties to improve their planning, quality, outcomes, data reporting, and subcontractor oversight for all county behavioral health funding, on top of the existing 5% county administrative cost share.
- Reduces authorized local prudent reserve amounts in the BHSA to allow for needed investments while still saving for an economic downturn, while clarifying flexibility to fund reserves and establishing a new work group on BHSA funding volatility and prudent reserves.
- Strengthens the independent Mental Health Services Oversight and Accountability Commission (MHSOAC) by increasing its scope of advisory review to all behavioral health funding, mirroring the county integrated plans and reports; continuing its status as an independent agency; adding additional community representation, namely for transition-age youth and for individuals who are aging or disabled, and other critical community perspectives; and funding a new \$20 million Innovation Partnership Fund to provide grants to develop innovations with non-government partners.

- Directs the State Auditor to report on the progress and effectiveness of the state Behavioral Health Services Act.

EQUITY: The proposal connects the Behavioral Health System statewide for all Californians, to streamline coordinated services for the public and for providers.

- For those with Medi-Cal health insurance: Authorizes DHCS to align the terms of the county behavioral health plan contracts regarding organization, infrastructure, and administration with Medi-Cal managed care plan contracts.
- For those with private health insurance: Directs the Department of Managed Health Care (DMHC) and DHCS to develop a plan with stakeholder engagement for achieving mental health parity between private and Medi-Cal mental health and substance use disorder benefits. This mental health parity plan may include, but is not limited to, phasing in alignment of service use management, benefit standardization, and covered services.
- Health Equity: Direction to improve planning, services, data, community input, transparency, reporting – and most of all outcomes – to meet the needs of the diversity of Californians' geographic and demographic communities and reduce disparities, including by age, gender, ethnic and race.

AB 531: INFRASTRUCTURE

BEHAVIORAL HEALTH TREATMENT BEDS, SUPPORTIVE HOUSING, AND COMMUNITY SITES.

The proposal places a \$6.38 Billion General Obligation Bond on the March 2024 ballot for construction of behavioral health treatment & residential care settings and permanent supportive housing.

- A recent RAND study indicates the state has a shortage of at least 6,000 behavioral health beds. This lack of capacity leads not only to unnecessarily long lengths of stays in locked settings and hospitals, but contributes to the growing crisis of homelessness and incarceration among those with severe mental illness and substance use disorders.
- Among Californians experiencing homelessness, nearly 40,000 have a serious mental illness and over 36,000 have a chronic substance use disorder. Housing is a needed component of treatment to recover.
- To address these long-standing challenges and build a world-class behavioral health system for California's future, a General Obligation Bond will fund the settings that will help ensure those with the greatest needs have access to high-quality residential and out-patient care.
- Bond funding would be used to construct, acquire, and rehabilitate more than 10,000 new treatment beds and supportive housing units, as well as new sites to help serve more than 100,000 people annually:
 - **Treatment beds and sites (\$4.4 Billion)** for community-based clinical care, building on the success of the existing Behavioral Health Continuum Infrastructure Program (BHCIP).

- Of this, \$1.5 billion will be put into a specific pot of funding for local governments to apply for, so that cities, counties, and tribal entities have a guarantee for at least this amount of the bond (they will still be eligible for the rest of the total as well).
- \$30 million of this is dedicated to tribal entities.
- **Permanent supportive housing units (\$2.0 Billion)** in the form of affordable housing with supports, building on the success of the existing HomeKey Program. This includes the \$1.065 billion set aside for veterans' housing.

HOUSING FOR VETERANS WITH BEHAVIORAL HEALTH NEEDS.

The proposal dedicates a portion of the supportive housing bond funding (\$1.065 Billion) to housing for veterans at risk of, or experiencing, homelessness with behavioral health needs.

- Upwards of 50% or more of homeless veterans suffer from mental health issues and upwards of 70% or more are affected by SUD.

Figure 1. Comparison of Existing MHSA Allocations and Proposed BHSA Allocations

(Dollars in Millions)

