

Date of Hearing: April 30, 2014

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Ed Chau, Chair

AB 1929 (Chau) – As Introduced: February 19, 2014

AS PROPOSED TO BE AMENDED

SUBJECT: Mental Health Services Act housing program

SUMMARY: Expressly authorizes county mental health departments, the Department of Health Care Services (DHCS), and the California Housing Finance Agency (CalHFA) to continue partnering in the development of permanent supportive housing for people with mental illness. Specifically, this bill:

- 1) Expressly authorizes a county mental health department to deposit Mental Health Services Act (MHSA) funding with CalHFA and receive assistance from CalHFA in developing supportive housing units for people with mental illness.
- 2) Provides that CalHFA will continue to coordinate with DHCS to administer the use of these funds.
- 3) Authorizes CalHFA to charge an administrative fee, paid from a county's MHSA funds, equal to 1% of future deposits, unless a county has committed fewer than \$1 million, in which case the agency may charge up to 1.5%, but not to exceed the reasonable costs of providing services, to cover the cost of providing this assistance.
- 4) Releases MHSA housing program funds currently held by CalHFA to their respective counties, upon request of those counties, to be used for the purpose of providing housing assistance for people with mental illness who are homeless or at risk of homelessness.

EXISTING LAW:

- 1) Imposes a tax of 1% on personal earnings over \$1 million for the purpose of financing new or expanded mental health services, pursuant to Proposition 63, the Mental Health Services Act (MHSA).
- 2) Requires the State Department of Mental Health (DMH) to provide counties with resources to support county mental health programs and monitor progress toward statewide goals for children, transition age youth, adults, older adults, and families, and addresses a broad continuum of prevention, early intervention and service needs and the necessary infrastructure, technology and training elements to support this system.
- 3) Establishes the MHSA housing program, which provides permanent supportive housing for people with mental illness, and allocates up to \$75 million per year for this purpose. (Executive Order S-07-06)
- 4) Authorizes CalHFA to finance permanent supportive housing for people with mental illness. (Health & Safety Code Sections 51050.1, 51312-51318)

- 5) Allows the Legislature to add provisions to clarify procedures and terms of the MHSA by a majority vote.

FISCAL EFFECT: Unknown.

COMMENTS:

Background:

In 2004, California voters approved Proposition 63: the MHSA. The MHSA imposes a 1% tax on personal earnings over \$1 million to fund county-run mental health programs. Through Executive Order S-07-06 in 2006, Governor Schwarzenegger directed the creation of the MHSA housing program, with a stated goal of providing 10,000 permanent supportive housing units for individuals with mental illness and their families and an allocation of up to \$75 million per year in MHSA funds for this purpose. SB 257 (Chesbro), Chapter 748, Statutes of 2006, codified CalHFA's authority to finance permanent supportive housing for people with mental illness and directed CalHFA, in conjunction with DMH and the Department of Housing and Community Development (HCD) to present a plan to the Legislature for the use of Proposition 63 funds for the development of supportive housing projects.

In 2007, county mental health departments agreed to a one-time set aside of \$400 million of Proposition 63 revenue with CalHFA. These funds were allocated these funds to all but the eight least populated counties for the purpose of building permanent supportive housing for people with mental illness who are homeless or at risk of homelessness. Of this \$400 million, counties were authorized to use \$75 million per year for capital costs and \$40 million per year for operating and maintenance costs.

To administer the \$400 million allocated for the MHSA housing program, a partnership was created between CalHFA and the Department of Mental Health (DMH). DMH was subsequently folded into the Department of Health Care Services (DHCS) during reorganization in 2013. CalHFA underwrites the requests for capital funds and capitalizes operating expenses. DHCS evaluates each applicant's proposed target population and supportive services plan. Once funds are awarded, CalHFA oversees all development and financial aspects of the project and DHCS oversees the provision of services. CalHFA also provides technical assistance to county mental health departments to select special needs housing that would best meet the needs of a county's residents with mental illness, and charges an administrative fee for this assistance. As a result of partnering with CalHFA, many counties have created permanent supportive housing units for homeless people with mental illness.

While most counties have already expended their share of the \$400 million allocation, others have not because they received small allocations that do not make construction of housing units feasible. These funds reside with the State, and releasing them to their respective counties will give these counties additional flexibility in providing housing assistance to residents with mental illness. AB 1929 defines "housing assistance" for purposes of these released funds as including, but not limited to, rental assistance or capitalized operating subsidies, housing relocation assistance, security deposits, utility deposits, or other move-in cost assistance, utility payments, moving cost assistance, and capital funding to build or rehabilitate housing affordable to people experiencing homelessness or at risk of homelessness.

Counties currently receive their MHSA allocations directly, and county mental health departments have discretion to dedicate additional MHSA funding toward housing. Some larger counties have indicated they would like to deposit funds into the housing program and have CalHFA continue to provide technical assistance to select housing projects.

Purpose of the Bill: Supportive housing has proven to be an effective strategy for reducing homelessness among those with mental illness. At any given moment more than 133,000 Californians are homeless. Of these Californians, roughly 33,800 – or 25% - are considered chronically homeless. According to researchers, at least one-third of chronically homeless people are mentally ill.

AB 1929 expressly authorizes county mental health departments, CalHFA, and DHCS to partner in the development of permanent supportive housing for people with mental illness. County mental health departments may continue to deposit MHSA funding with CalHFA. In return, counties may receive technical assistance from CalHFA, as well as assistance with financing the acquisition, construction, rehabilitation, refinancing, or development of supportive housing units for people with mental illness. CalHFA is authorized to charge counties a fee, paid from MHSA funds, for providing this assistance.

Additionally, this bill releases unexpended funds from the original \$400 million allocation to their respective counties, upon request of those counties. As these funds were originally set aside for housing purposes, counties must use them to provide housing assistance for people with mental illness who are homeless or at risk of homelessness. Releasing these funds directly to the counties will better enable them to utilize these funds for housing assistance.

Below is a mock-up of the bill as proposed to be amended:

## **SECTION 1.**

The Legislature finds and declares all of the following:

- (a) The Mental Health Services Act (hereafter, the MHSA), an initiative measure approved by the voters in November 2004 as Proposition 63, provides funding for local assistance for designated mental health programs.
- (b) A critical component of the success of community services for persons with mental illness is the availability of supportive housing.
- (c) **It is the intent of the Legislature that the California Housing Finance Agency (CalHFA) continue the MHSA housing program. The State Department of Mental Health, CalHFA, and the County Mental Health Directors Association partnered together to administer a housing program under which \$400,000,000 in MHSA funds were initially made available to finance the capital costs associated with the development, acquisition, construction, or rehabilitation, or all, of permanent supportive housing for individuals with mental illness and their families, including homeless individuals with mental illness and their families.**
- (d) **Through Executive Order S-07-06 in 2006, Governor Schwarzenegger directed the creation of the MHSA housing program. The Department of Mental Health, in**

consultation with the California Mental Health Directors Association, was directed to allocate up to seventy-five million dollars (\$75,000,000) annually in MHSA funding to finance the development, acquisition, construction, and/or rehabilitation of 10,000 permanent supportive housing units for individuals with mental illness and their families, especially homeless individuals with mental illness and their families.

(e) SB 257 (Chesbro), Chapter 748, Statutes of 2006, authorized CalHFA to finance permanent supportive housing for individuals with mental illness. SB 257 also directed CalHFA, in conjunction with the Department of Mental Health Services (DMH) and the Department of Housing and Community Development (HCD) to present a plan to the Legislature for the use of MHSA funds for the development of supportive housing projects.

(f) In 2007, county mental health departments agreed to set aside \$400 million of Proposition 63 revenue with CalHFA, and allocate these funds to all but the eight least populated counties for the purpose of building permanent supportive housing. Counties were authorized to use \$75,000,000 per year for capital costs and \$40,000,000 per year for operating and maintenance costs. While most counties have already expended their share of these funds, others have not because they received small allocations that do not make construction of housing units feasible. Releasing these funds to their respective counties will enable these counties to better utilize these funds for housing support and assistance for persons with serious mental illness and homeless or at risk of homelessness.

(g) Counties currently receive a direct allocation of MHSA funds, and have the discretion to dedicate additional funds for supportive housing purposes. Funding under the MHSA has is available to local agencies for development of supportive housing. However, the complexity of the process surrounding the financing and development of capital projects presents obstacles to the development of this housing in sufficient quantities. Some counties have found it beneficial to continue utilizing CalHFA's assistance, given the complexity of developing supportive housing.

(h) The purpose of this act is to provide a statutory structure to **promote and** facilitate this process by authorizing county mental health departments to more fully utilize the MHSA funds for housing purposes, including the assistance of the CalHFA, California Housing Finance Agency.

## **SEC. 2.**

Section 51312.5 is added to the Health and Safety Code, to read:

(a) A county mental health department may deposit with the agency funding received by the county under the Mental ~~h~~**Health** Services Act for the development of housing to meet the special housing needs of persons with mental illness.

(b) The agency may receive MHSA funding from a county to finance the acquisition, construction, rehabilitation, refinancing, or development of special needs housing for persons with mental illness. **The agency shall continue its coordination with DHCS to administer the use of these funds.**

(c) The agency may enter into financial and other agreements with the county, and other agencies as necessary, to commit sufficient county funds derived from the MHSA, including, but not

limited to, funds from future allocations, ~~for the purpose of securing revenue bonds issued by the agency under this chapter for the purposes of meeting the special housing needs of persons with mental illness.~~

(d) The agency shall provide technical assistance to a county mental health department as necessary to assist the county in selecting the special needs housing that would best meet the needs of the county's residents with mental illness.

(e) The agency may charge the county a fee, **of up to 1 percent of future allocations, to cover the reasonable costs incurred by the agency** for providing assistance under this ~~chapter~~ **chapter, unless the county has committed fewer than one million dollars (\$1,000,000) in which case the agency may charge the county a fee of up to 1.5 percent of future allocations.** These fees may be paid from the county MHSA funds.

**(f) The agency shall release unexpended MHSA housing funding from the initial four-hundred-million-dollars (\$400,000,000) allocation upon the request of the respective county. The county shall dedicate these funds, within one year of receipt of the funds from the agency, to providing housing assistance to persons with serious mental illness who are homeless, or mentally ill persons at risk of being homeless. The county shall track the expenditure of these funds and report these expenditures to the agency. For purposes of this subdivision, "housing assistance" includes, but is not limited to, each of the following:**

- 1) **Rental assistance or capitalized operating subsidies.**
- 2) **Housing relocation services.**
- 3) **Security deposits, utility deposits, or other move-in cost assistance.**
- 4) **Utility payments.**
- 5) **Moving cost assistance.**
- 6) **Capital funding to build or rehabilitate affordable housing for homeless, mentally ill persons or mentally ill persons at risk of being homeless.**

### SEC. 3.

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

#### REGISTERED SUPPORT / OPPOSITION:

##### Support

California Council of Community Mental Health Agencies  
Housing California  
National Alliance on Mental Illness

Mental Health America of California  
California Psychiatric Association  
The California Chapter of the American College of Emergency Physicians  
Western Center of Law and Poverty

Opposition

None on file

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