

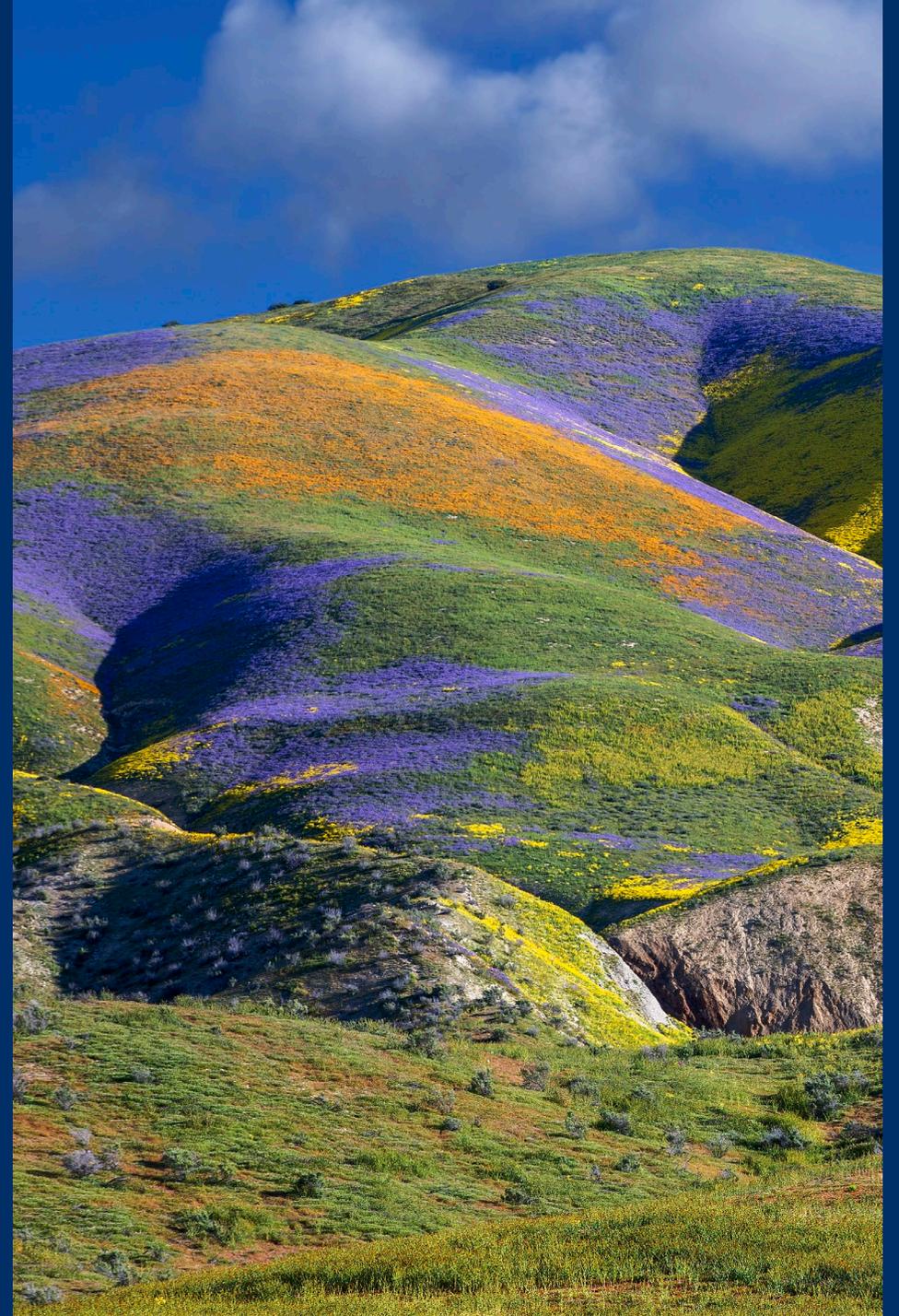


# Overview of the Institute of Sustainable Finance Concept

## Budget and Fiscal Advisory Committee

FEBRUARY 19, 2026

[bhsoc.ca.gov](http://bhsoc.ca.gov)



# Introduction

- Today's discussion focuses on the development of a concept for an Institute for Sustainable Finance (ISF).
- The goal of this discussion is to determine if this *concept* is a good idea to move forward to develop into a *proposal*.
  - If yes, then input will be gathered from BFA Committee members and stakeholders on what information should be included in the ISF *proposal*, which would then move through the Commission's established Committee vetting process (see next slide).
  - If no, then discussions on the ISF proposal would conclude.

# CBH Committee process

- If/once the ISF *concept* is fully developed into a *proposal*, the fully developed proposal would be processed through the Commission's vetting process, as outlined in the Committee charters.
- Specifically, it would first be presented to the Program Advisory Committee (PAC) and Client, Family, and Community Inclusion, Lived Experience, and Diversity Advisory (CFC) Committee.
- The PAC and CFC would then be presented with a vote for approval and to move it the ISF proposal to the Budget and Fiscal Advisory Committee (BFA) for funding allocation recommendation.
- The BFA Committee would then make a recommendation to support/or oppose advancing the ISF proposal to the full Commission for approval.

# The core problem: Unstable county behavioral health funding

- California's county behavioral health system depends on multiple funding sources that fluctuate year to year.
- Major funding streams include:
  - 1991 Realignment
  - 2011 Realignment
  - Behavioral Health Services Act
  - Grants and local initiatives
  - Federal Medicaid matching funds
- This volatility often makes long-term planning difficult for counties, providers, hospitals, community-based organizations, and State agencies.
- Most importantly, inconsistent funding disrupts care for individuals with the highest behavioral health needs.

# The proposed solution: An Institute of Sustainable Finance

- Establish a dedicated financing and strategy capability with Commission oversight.
- Purpose: Reduce funding instability and build stable, long-term pathways to fund California's county behavioral health system (instead of relying on short-term grants or unpredictable funding streams, the ISF would help the state build long-term, reliable funding plans – similar to how California finances highways, schools, housing, or water systems).
- Core functions of the ISF:
  - Map and quantify funding volatility
  - Model return on investment for individuals served by the public behavioral health system, including the BHSA priority populations
  - Evaluate alternative financing mechanisms
  - Design pilot public-private partnership structures

# What would the Institute of Sustainable Financing do?

It would answer practical questions like:

- What are the historical funding levels and why are they unstable?
- How can California attract and responsibly use private or philanthropic investment without putting public dollars at risk?
- What public behavioral health services are being funded year to year – and which ones collapse when money disappears?
- What are the most effective programs to invest in for long-term outcomes?
- What financing tools could help California build capacity faster (like clinics, housing supports, crisis services, workforce expansion)?

# What is the potential for public behavioral health funding?

- The ISF could help California move from short-term spending to long-term financing.
- That shift could unlock tools such as:
  - Bond financing (to build infrastructure like clinics, crisis centers, supportive housing services)
  - Public-private partnerships
  - Blended finance (mixing public dollars with philanthropic or private dollars)
  - Revolving investment funds (where money is reused instead of spent once)
  - Credit enhancement strategies that reduce risk and attract outside capital

# What could this mean for the public?

If done well, it could mean:

- More crisis stabilization sites
- More outpatient clinics
- Expanded mobile crisis response
- Better workforce capacity
- More consistent treatment access
- Less “program churn” when funding changes
- Better outcomes for people with serious mental illness, substance use disorders, and co-occurring conditions

# Two project phases

- Phase 1: Planning Phase (e.g., defined deliverables, reporting requirements, and governance gates)
- Phase 2: Implementation Phase (e.g., pilot partnership(s), including financing structure options, procurement approach, risk mitigation strategy, and readiness criteria)

# What Phase 1 would deliver

- A statewide baseline measurement framework.
- California-specific return on investment models.
- Financing pathway analysis (including bond and blended finance options).
- Clear governance and reporting structure.
- A decision-ready Phase 2 implementation plan within six to nine months.

# Why this is a strategic investment

- Strengthens accountability and fiscal discipline.
- Reduces execution risk before large-scale capital deployment.
- Positions the Commission to responsibly mobilize future capital.
- Transforms Innovation funding from grantmaking into structured capital strategy.

# Why the ISF concept matters now

- Proposition 1 changed both the authority and expectations of the Commission, allowing for continued innovation to strengthen California's behavioral health system.
- An ISF can provide leadership to ensure that funding generated for county behavioral health creates opportunities for sustained, meaningful impact.
- Without such a financial strategy and associated infrastructure, even well-intended investments risk short-term impact.

# What success looks like

- A California-specific financing strategy backed by evidence.
- A statewide measurement and capital decision framework.
- Implementation-ready pilot financing models.
- Scalable pathways to leverage additional public, philanthropic, and private capital.
- Reduced funding volatility for high-needs behavioral health populations.

# BFA Committee discussion

- Is the purpose and opportunity of the ISF concept clear?
  - What, if any, questions or observations would help further clarify the ISF concept and strengthen a shared understanding among Commissioners and stakeholders?
- Is the ISF concept a good idea (i.e., would it add value to the Commission's mission and long-term strategic goals)?
- If yes,
  - What components, principles or focus areas should be included in an ISF proposal to ensure it is effective, credible and aligned with the Commission's and community's values?
  - Any other questions/consideration?
  - To provide written feedback after this meeting to inform the ISF concept, please email the CBH no later than Friday, March 20, 2026, at [bhsoac@bhsoac.ca.gov](mailto:bhsoac@bhsoac.ca.gov).



**Thank you!**