



GOVERNOR NEWSOM'S TRANSFORMATION OF BEHAVIORAL HEALTH SERVICES

Housing with Accountability. Reform with Results.

- Major effort to pass a bond for 10,000 new clinic placements and homes.
- First reform in nearly two decades since voters passed the Mental Health Services Act in 2004.
- Focus on housing with accountability for people with mental health needs, including veterans and unhoused people.

Together with the Legislature, local officials, labor leaders, community organizations, 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 beds with \$4.68 billion funded by a bond on the March 2024 ballot** to provide the resources needed to care and house those with the most severe mental health needs and substance use disorders.

The package focuses on **five solutions** to transform California's behavioral health system through **housing with accountability and reform with results**:

1. Reforming the Mental Health Services Act to provide services to the most seriously ill and to treat substance use disorders
2. Building a workforce to reflect and connect with California's diversity
3. Focusing on outcomes, accountability, and equity
4. Housing and behavioral health treatment in unlocked, community-based settings
5. Housing for veterans with behavioral health challenges

LEGISLATIVE PACKAGE

- **SB 326: REFORM** – After nearly 20 years, this bill would **modernize and reform the Mental Health Services Act (MHSA)**, which was passed as Proposition 63 by voters in 2004. This legislation would expand services to include treatment for those with substance use disorders – in addition to care for the most seriously mentally ill – provides more resources for housing and workforce, and continues community support for prevention, early intervention, and innovative pilot programs – all with new and increased accountability for outcomes and through an equity lens.

- **AB 531: BUILD – A \$4.68 billion general obligation bond** to build 10,000 new clinic beds and homes that would be on the March 2024 ballot. This would be the single largest expansion of California's continuum of behavioral health treatment and residential settings. It will create new, dedicated housing for people experiencing homelessness who have behavioral health needs, with a dedicated investment to serve veterans, allowing Californians experiencing behavioral health conditions to have a place to stay while safely stabilizing and healing.

Combined, these two bills will build out the State's capacity to provide behavioral health care and housing with **strengthened accountability for results**, while creating good jobs. These reforms will complement and build upon Governor Newsom's [Behavioral Health Expansion and Reform efforts](#) to provide care - from prevention and early intervention to outpatient, crisis, inpatient, and supportive care and supplements the work currently underway with the implementation of CARE Court.

The behavioral health legislative package will go to the **voters for approval in March 2024**, after consideration and approval by Legislature and Governor Newsom's signature in 2023.

SB 326: REFORM

REFORMING BEHAVIORAL HEALTH CARE FUNDING TO PROVIDE SERVICES TO THE MOST SERIOUSLY ILL AND TO TREAT SUBSTANCE USE DISORDERS.

- Expands services to include treatment for substance use disorders (SUDs) alone and allows counties to use funds in combination with federal funds to expand SUD services. Because of this expansion to cover SUD, the bill updates the name of the MHSA to the Behavioral Health Services Act (BHSA).
- Recognizes the need for housing to address a variety of serious behavioral health disorders.
- Modernizes county allocations **(92%)** to require the following priorities and encourage 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. These funds will be used to expand the number of FSP slots available across the state and are key to CARE Court being successfully implemented.
 - 30% for Behavioral Health Services and Supports, including early intervention, workforce education and training, capital facilities and technological needs, and innovative pilots and projects, to strengthen the range of services individuals, families, and communities need. A majority of this amount must be used for Early Intervention.
 - 5% for Prevention through population-based programming on behavioral health and wellness. 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.
- Creates a **new total state-directed funding (3%)** to workforce investments, leveraging existing federal funding, and benefitting the entire state system.
- Continues the **funding for state implementation (5%)** of the policy, including development of statewide outcomes, oversight of county outcomes, training and technical assistance to counties, research and evaluation, and policy administration.

EXPANDS 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 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 (CHHS) to implement a statewide behavioral health workforce initiative, including leveraging federal dollars through a workforce initiative under BH-CONNECT; a proposed Medicaid demonstration waiver that will draw down significant additional federal matching dollars for this purpose.
- Authorizes counties to also fund additional, local workforce initiatives using resources from their local BHSA allocation prioritized for Behavioral Health Services and Supports.

FOCUSING ON OUTCOMES, ACCOUNTABILITY, AND EQUITY.

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

- 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), in order to provide increased transparency and stakeholder engagement on all local services.
- Requires stratified local data analysis to identify behavioral health disparities and consider 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 annual service utilization data 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 up to 2% of local BHSA revenue to be used for local resources to assist counties in improving plan operations, quality outcomes, reporting fiscal and programmatic data and monitoring subcontractor compliance for all county behavioral health funding, on top of the existing 5% county administrative costs.
- Reduces authorized local prudent reserve amounts in the BHSA to allow for needed investments while still saving for an economic downturn.

EQUITY: The proposal connects the Behavioral Health System statewide for all Californians.

- For those with Medi-Cal health insurance: Authorizes DHCS to align the terms of the county behavioral health plan contracts regarding administration, infrastructure, and organization with Medi-Cal managed care plan contracts.
- For those with commercial health insurance: Directs the Department of Managed Health Care (DMHC) and DHCS to develop a plan with stakeholder engagement for achieving parity between commercial and Medi-Cal mental health and substance use disorder benefit. This may include, but is not limited to, phasing in alignment of utilization management, benefit standardization, and covered services.

AB 531: HOUSING

HOUSING AND BEHAVIORAL HEALTH TREATMENT IN COMMUNITY-BASED UNLOCKED SETTINGS.

The proposal places a General Obligation Bond on the March 2024 ballot for construction of unlocked community-based behavioral health treatment & residential care settings.

- A recent RAND study indicates the state has a shortage of at least 6,000 behavioral health beds. This lack of sufficient capacity leads not only to unnecessary 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.
- To address this long-standing challenge, the Governor is proposing to use a general obligation bond to build up settings that will help ensure those with the greatest needs have access to high quality, unlocked, community-based residential care, including “step-down” community-based facilities, where people can reside short-term after a behavioral health crisis hospitalization and then transition to lower levels of care that can better support long-term success.
- Bond funding would be used to construct, acquire, and rehabilitate unlocked, voluntary, community-based residential care settings for individuals with behavioral health needs, increasing the availability of care settings that support rehabilitation and recovery.
- Among Californians experiencing homelessness, nearly 40,000 have a severe mental illness and over 36,000 have a chronic substance use disorder.

HOUSING FOR VETERANS WITH BEHAVIORAL HEALTH CHALLENGES.

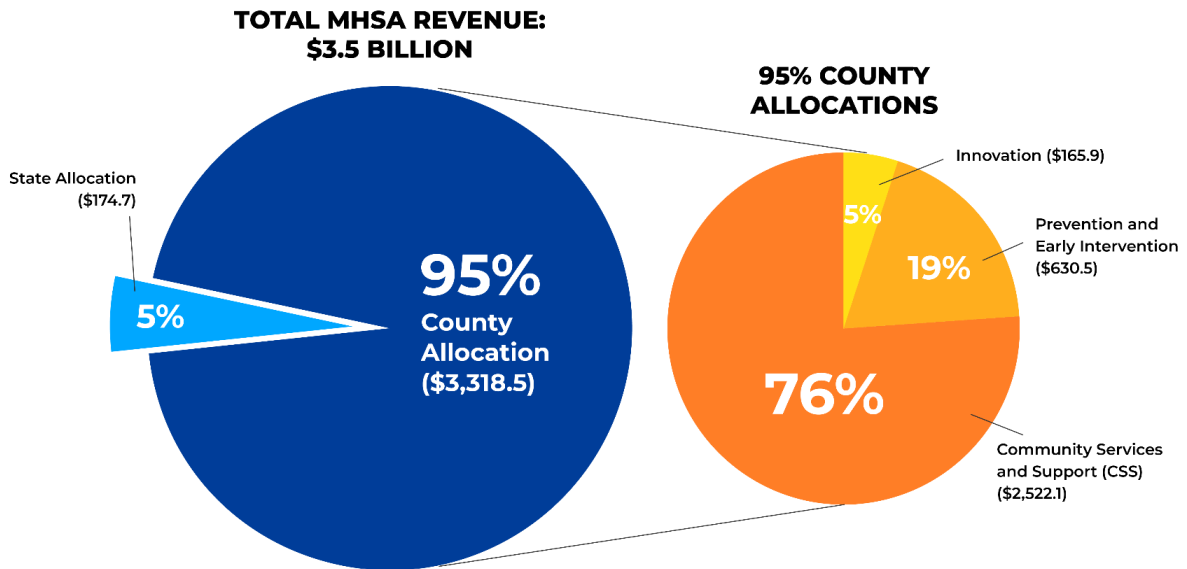
The proposal dedicates a portion of the bond to housing for veterans at risk of, or experiencing, homelessness with behavioral health needs.

- Upwards of 50% or more of homeless veterans suffer from mental health issues and upwards of 70% or more are affected by SUD.
- Bond funding would be disbursed as grants for new construction, acquisition, rehabilitation, or preservation of affordable multifamily housing to provide interim, transitional, and permanent supportive housing for veterans who are homeless, or at risk of homelessness, and living with behavioral health challenges.

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

(Dollars in Millions)

CURRENT ALLOCATION



PROPOSED ALLOCATION

