

MEMORANDUM

To: Regional Steering Committee on Homelessness and Housing
From: HomeBase
Re: Update on Mental Health Services Act
Date: April 18, 2008

Introduction

Serving the homeless population from the Monterey to San Francisco Bay Areas, members of the Regional Steering Committee (RSC) have a shared goal of ending homelessness. As we have made forward progress on this goal, we have been very appreciative of the role both the federal and state government has played in funding homeless programs and in being a true partner in our communities. In order to maintain the drive towards ending homelessness, federal and state funding and support of proven programs must continue to improve. The RSC customarily reviews applicable proposed legislation, budgets and relevant administrative activity that affects the communities we serve. For reference, the RSC has completed related analysis in the January 2007, July and March 2006 meetings.

What follows is information regarding the Mental Health Services Act (MHSA) and recent activity that may affect RSC community partners.

Background on Mental Health Services Act (MHSA)

In 2004 California voters approved Proposition 63, which lead to the Mental Health Services Act (MHSA). MHSA imposes a 1% income tax on Californian's whose personal income exceeds \$1 million. New funds may not be used to supersede or replace existing state or local funds directed towards public mental health services. MHSA provides funding to expand community mental health services in the following categories:

- Community Services & Supports – to identify and provide integrated mental health and other support services to those whose needs are not currently met through other funding sources;
- Prevention & Early Intervention – as an effort to reduce the stigma and discrimination associated with mental illness and provide preventative services;
- Innovative Programs – to improve access to mental healthcare;
- Capital Facilities and Technology – dedicated for improvements to the infrastructure of California's mental health system; and
- Workforce Education & Training – to develop the mental healthcare workforce.¹

¹ See DMH website, <http://www.dmh.ca.gov/MHSOAC/default.asp>.

Related to MHSAs is the Governor's Homeless Initiative (GHI) which was established after the passage of Proposition 46 and leverages MHSAs funds to encourage development of supportive housing projects that target chronically homeless individuals with serious mental illness. Proposition 46 allocated approximately \$38 million for use under this program. An additional \$3.15 million from MHSAs funds, in fiscal year 2005-06, were set aside to provide funding for rental subsidies and pre-development costs. The California Department of Mental Health (DMH) will transfer \$697,500 in subsidies to the Department of Housing and Community Development (HCD) this fiscal year for projects approved for funding and ready for occupancy. Additional funding will be available in future years for future projects.²

MHSA "Housing Program" Update

One promising area of interest in MHSAs program activity is the MHSAs "Housing Program" which is a collaboration between California counties and state agencies, including the California Housing Finance Agency (CalHFA), the HCD, and the DMH. The MHSAs Housing Program offers permanent financing and capitalized operating subsidies for the development of permanent supportive housing, including both rental and shared housing, to serve persons with serious mental illness and their families who are homeless or at risk of homelessness. This new, dedicated funding stream will significantly help communities provide supportive-home options and decrease homelessness.

The DMH is closer to finalizing regulations to govern the initial \$400 million for the MHSAs Housing Program. Counties will partner with local developers to submit projects for review. The initial investment of \$400 million by the counties represents three and a half years of funding. After this initial commitment, each county will individually re-assess its commitment to continue funding homes. This funding for the MHSAs Housing Program will also make available needed resources for operating subsidies. Eight percent of both capital funds and operating subsidies will be set aside for small counties to ensure that the program addresses their unique needs.³ Counties have been provided letters of assignment and with their stakeholders are considering the costs and benefits of participation. MHSAs Housing Program funds may be allocated for the development, acquisition, construction, and/or rehabilitation of permanent supportive housing.⁴

On August 6, 2007, the state released its Notice of Funding Availability (NOFA) for the MHSAs Housing Program. The program provides \$115 million per year for capital development and operating subsidies for permanent supportive homes (homes with services) for individuals with mental illness and their families.

For the past year, DMH and CalHFA have worked closely with the MHSAs Housing Program work group to develop the technical requirements and process for applying for the MHSAs funds. This work group includes representatives of the California Mental Health Directors Association

² Mental Health Services Act Expenditure Report: Fiscal Year 2007-2008 (January 2008). http://www.dmh.ca.gov/Prop_63/MHSA/docs/Legislative_reports/MHSALegRpt_08Jan.pdf

³ *Id.*

⁴ California Housing Finance Agency website, <http://www.calhfa.ca.gov/multifamily/mhsa/>.

(CMHDA), the Governor's Office, the HCD, the Tax Credit Allocation Committee (TCAC), the Corporation for Supportive Housing (CSH), Housing California, and several developers.⁵

Applications for the MHSA Housing Program will be submitted on an ongoing basis and will be reviewed by both DMH and CalHFA.⁶ Mental Health Services Act Housing Program

Applications can be found at:

http://www.dmh.ca.gov/Prop_63/MHSA/Housing/docs/MHSAApplication_rev08-13-07.pdf

Questions remain to be answered as to the details of how the program will operate and what can be expected in future years. One of the unique aspects of MHSA is that the resources are determined and allocated at the county level. Currently, different counties are at various stages in considering, approving and implementing plans to spend MHSA funds, including funds for the housing program.⁷

For more information about the status of the MHSA Housing Program in each county, contact the county's MHSA coordinator.

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⁵ Mental Health Services Act Expenditure Report: Fiscal Year 2007-2008 (January 2008).
http://www.dmh.ca.gov/Prop_63/MHSA/docs/Legislative_reports/MHSALegRpt_08Jan.pdf

⁶ For more on MHSA "Housing Program" see, http://www.dmh.ca.gov/Prop_63/MHSA/Housing/

⁷ Housing California website, http://www.housingca.org/policy_leg/policynews/mhsahousingprogramupdate/.

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With this background in place, and having covered recent MHSA Housing Program activity, what follows is a discussion of fiscal policy developments regarding MHSA.

Fiscal Policy Clarifications Concerning MHSA

Various fiscal policy clarifications were discussed in the recent Report to the Legislature by the DMH for the fiscal year 2007-08. In December 2007, DMH revised and clarified many of the MHSA fiscal policies in order to simplify program administration and speed the distribution of funds to the counties. Specifically, the DMH streamlined the “State/County performance contract” (MHSA Agreement), changed many of the cash management policies and provide guidance on the use of unexpended funds from prior years.⁸ The following provides a brief summary of these clarifications.

1. DMH included provisions in the MHSA Agreement with counties to allow the addition of funding to the MHSA Agreement upon approval of a Plan update. This should expedite the distribution of funding by allowing counties to rely on Board approval of MHSA Plans and by not requiring Board approval of each successive agreement modification.
2. DMH is also moving to a “cash-bases” system (i.e., recording sales and expenses only when cash is actually received or paid out), which ensures that sufficient MHSA funds are available to support the total funding level by component for the subsequent fiscal year. This means that revenues will accumulate for 12 months in the State Mental Health Services (MHS) Fund prior to distribution in the subsequent State fiscal year but will allow substantial cash payment to each county at the beginning of each fiscal year.

⁸ Mental Health Services Act Expenditure Report: Fiscal Year 2007-2008 (January 2008).
http://www.dmh.ca.gov/Prop_63/MHSA/docs/Legislative_reports/MHSALegRpt_08Jan.pdf

3. Another new fiscal policy is the maintenance of a local prudent reserve for Community Services and Support (CSS), which should be maintained at a level of 50 percent of the most recent annual approved CSS funding level for each county. The goal is for each county to maintain the 50 percent prudent reserve at the local level and fully fund the prudent reserve by July 1, 2010, unless the county would have to reduce MHSA service below those funded in FY 2007-08 in order to reach the 50 percent prudent reserve.

4. DMH clarified that MHSA funds should be expended and accounted for on a first-in, first-out (FIFO) basis (i.e., the first dollar distributed to the county is the first dollar spent on services irrespective of the fiscal year). Each county will identify unspent funds and the use of such unspent funds through the annual Plan update process. Unexpended funds will be considered available to fund services in subsequent years and a county may dedicate unspent funds to the local prudent reserve. Each county will also be allowed to retain unspent funds as an operating reserve to allow for unexpected expenditures and/or lower than anticipated off-setting revenues.

DMH Information Notice Updates

A. Community Services and Supports General System Development Housing (DMH Notice No.: 08-05; March 12, 2008)

General System Development (GSD) is defined as, “the service category of the CSS component of the Three-Year Program and Expenditure plans under which the county uses MHSA funds to improve the county’s mental health service delivery system for all clients and/or to pay for specified mental health services and supports for clients, and/or when appropriate, for their families.”⁹ Housing expenditure under the GSD are allowable when they expand housing resources to support and improve the county’s mental health service delivery system. GSD funds may be used to develop project-based housing resources. All proposed GSD housing expenditures need to support the county’s approved CSS component.¹⁰

Allowable GSD expenditures include:

- Acquisition, construction, and/or renovation of housing that is government owned and dedicated for the intended use for a minimum of 20 years;
- Master leasing of housing, including costs of repairs needed to restore a unit damaged by a MHSA tenant upon vacating;
- Project-based operating subsidies for housing units acquired with GSD funds;
- Housing trust fund only when an irrevocable transfer of GSD funds is made to a local government entity for a specific housing project, e.g., County Housing Authority holds and disburses funds to purchase land and construct new housing for a specified housing development.

⁹ CCR 3200.170.

¹⁰ DMH Information Notice No.: 08-05 (March 12, 2008). <http://www.dmh.ca.gov/DMHDocs/docs/notices08/08-05>.

Housing expenses **not allowed** under GSD include:

- Renovation of privately owned housing;
- Construction or acquisition of housing that will be privately owned;
- Housing trust funds, other than as described above;
- Construction or acquisition of housing for permanent supportive housing outside of the MHSA Housing Program service category;
- Acquisition, construction, and renovation of a treatment facility;
- Predevelopment costs for a development in the MHSA Housing Program;
- Individual-based housing expenses, e.g., rental subsidies, motel vouchers.

Capital costs for 24-hour treatment facilities including, but not limited to, crisis residential, child group homes, and adult residential treatment facilities are not allowable under GSD but may be eligible for MHSA funding under the Capital Facilities segment of the Capital Facilities and Technological Needs component.¹¹

B. Implementation Progress Report for the Community Services and Supports Component of the Three-Year Program and Expenditure Plan for Calendar Year 2007

(DMH Notice No.: 08-08; March 18, 2008)

All counties are to complete and submit an Implementation Progress Report. The Implementation Progress Report covers only the period of January 1, 2007 through December 31, 2007, or as much of the year in which the county's approved Plan was effective. Counties may update their Implementation Progress Report if one was submitted for a prior period. Counties are to submit their completed Implementation Progress Report to DMH on or before June 30, 2008.¹²

The report should be sent to:

Assistant Deputy Director
Community Program Support
California Department of Mental Health
1600 9th Street, Room 130
Sacramento, CA 95814

If you have questions, please contact your County Liaison.

C. MHSA Capital Facilities and Technological Needs Component – Three-Year Program and Expenditure Plan Guidelines

(DMH Notice No.: 08-09; March 18, 2008)

¹¹ Id.

¹² DMH Information Notice No.: 08-08 (March 18, 2008). <http://www.dmh.ca.gov/DMHDocs/docs/notices08/08-08>.

This notice contains proposed guidelines for counties to submit their Capital Facilities and Technological Needs Component Proposal and the Capital Facilities and Technological Needs Project Proposals of the Three-Year Program and Expenditure Plan of the MHSA. Proposed guidelines are described in **Enclosure 1, Enclosure 2, and Enclosure 3.**¹³

Synopsis of Enclosure 1 – Proposed Guidelines for Completing the Capital Facilities and Technological Needs Component

The purpose of this document is to set forth proposed guidelines for the submission of the Capital Facilities and Technological Needs Component Proposal that each county mental health department shall submit as part of its Three-Year Program and Expenditure Plan. The Component Proposal must provide an overview of how the county expects to utilize the available funding and how the Component Proposal supports the goals of the MHSA as stated in the county's Three-Year Plan. Funding requests to support this Component Proposal will be made via Capital Facilities and/or Technological Needs Project Proposal(s). See Enclosures 2 (Capital Facilities) and 3 (Technological Needs).

Capital Facilities and Technological Needs Component Proposals should be submitted to:

California Department of Mental Health,
Capital Facilities and Technological Needs Component Proposal
Attn: Child and Family Program
1600 9th Street, Room 130
Sacramento, CA 95814
MHSA-CFTN@DMH.CA.GOV

Synopsis of Enclosure 2 – Capital Facilities Project Proposal Proposed Guidelines

A "Capital Facility" is a building secured to a foundation which is permanently affixed to the ground and used for the delivery of MHSA services to individuals with mental illness and their families or for administrative offices. Capital Facility funds may be used by the county to acquire, develop or renovate such buildings or to purchase land in anticipation of acquiring/constructing a building. Capital Facility expenditures must result in a capital asset which increases the county department of mental health's infrastructure on a permanent basis (i.e., acquisition of buildings rather than rental or leased buildings) and must result in an expansion of the capacity/access of existing services or the provision of new services.

The county may utilize Capital Facilities funds to for the following allowable expenditures:

- Acquire and build upon land that will be county-owned
- Acquire buildings that will be county-owned

¹³ DMH website, http://www.dmh.ca.gov/Prop_63/MHSA/Publications/Notices.asp.

- Construct buildings that will be county-owned
- Renovate buildings that are county-owned
- Establish a capitalized repair/replacement reserve for buildings acquired or constructed with Capital Facilities funds and/or personnel cost directly associated with a Capital Facilities Project, i.e., a project manager.

In submitting Capital Facilities Project Proposals, counties may submit Project Proposal(s) and budget(s) for less than the total Planning Estimate for their county. The county may subsequently submit additional Project Proposals up to the amount of the funding available in the Planning Estimates. All required exhibits must be included with each submission; and, each submission must include documentation consistent with the approved Capital Facilities Component Proposal. Funding requests for Capital Facilities projects plus any requests for Technological Needs projects shall not exceed funds available through the Planning Estimates. If Capital Facilities Project Proposals are submitted for more than the total amount of funds available, the County must account for the added expenditure from non-MHSA funds.

Capital Facilities Project Proposal(s) should be submitted to:

California Department of Mental Health
 Capital Facilities Project Proposal
 Attn: Child and Family Program
 1600 9th Street, Room 130
 Sacramento, CA 95814
 MHSA-CFTN@DMH.CA.GOV

Synopsis of Enclosure 3 – Guidelines for Completing the Technological Needs Project Proposal

Concerning funding requirement and evaluation and approval criteria, the DMH will evaluate and approve Technological Needs Projects within the context of two steps:

Step 1 – Technological Needs Assessment.

The Technological Needs Project Proposal will be evaluated on the consistency in addressing the significant assessment factors included in the:

- County Technology Strategic Plan;
- Roadmap to achieving an Integrated Information Systems Infrastructure;
- County Personnel Analysis (Management and Staffing).

Step 2 - Technological Needs Project Proposal.

The proposed Technological Needs Project(s) must meet the goals of modernization/transformation or client/family empowerment within a framework of an Integrated Information Systems Infrastructure. Counties may work together to submit a comprehensive multi-County Project Proposal using shared resources and with the appropriate level of detail comparable to the level of Project scope and funding.

Projects meeting these goals include, but are not limited to:

- **Electronic Health Record (EHR) System Projects**
 - o Infrastructure, Security, Privacy
 - o Practice Management
 - o Clinical Data Management
 - o Computerized Provider Order Entry
 - o Full EHR with Interoperability Components (for example, standard data exchanges with other counties, contract providers, labs, pharmacies)

- **Client and Family Empowerment Projects**
 - o Client/Family Access to Computing Resources Projects
 - o Personal Health Record (PHR) System Projects
 - o Online Information Resource Projects (Expansion / Leveraging information sharing services)

- **Other Technological Needs Projects That Support MHSA Operations**
 - o Telemedicine and other rural/underserved service access methods
 - o Pilot Projects to monitor new programs and service outcome improvement
 - o Data Warehousing Projects / Decision Support
 - o Imaging / Paper Conversion Projects
 - o Other

Technological Needs Project Proposals should be submitted to:

California Department of Mental Health,
Technological Needs Project Proposal
Attn: Child and Family Programs
1600 9th Street, Room 130
Sacramento, CA 95814
MHSA-CFTN@DMH.CA.GOV

For more information and to review the complete DMH notice and referenced enclosures please go to the California Department of Mental Health website:
http://www.dmh.ca.gov/Prop_63/MHSA/Publications/Notices.asp

Resources for Additional Information:

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Acronyms & Abbreviations

Mental Health Services Act (MHSA)

Governor's Homeless Initiative (GHI)

California Department of Mental Health (DMH)

Department of Housing and Community Development (HCD)

California Housing Finance Agency (CalHFA)

Notice of Funding Availability (NOFA)

California Mental Health Directors Association (CMHDA)

Tax Credit Allocation Committee (TCAC)

Corporation for Supportive Housing (CSH)

State/County performance contract (MHSA Agreement)

State Mental Health Services (MHS)

Community Services and Support (CSS)

First-in, first-out (FIFO)

General System Development (GSD)

*For more information, please feel free to contact Michael Land, HomeBase Staff Lawyer,
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