

Governor Newsom's Legislative Proposal to Modernize California's Behavioral Health System

[SB 326 \(Eggman\), the Behavioral Health Services Act:](#)

- Recasts/renames the Mental Health Services Act (MHSA) as the Behavioral Health Services Act.
- Allows MHSA funds to serve people with substance use disorders (SUD).
- Revises the distribution of MHSA funding, as follows:
 - **30% dedicated to housing interventions** (about \$1 billion annually) in county MHSA funding:
 - 50% to be used for interventions for persons who are chronically homeless, with a focus on those in encampments.
 - No more than 25% may be used for capital development projects.
 - Starting with 2032-2035 fiscal years' integrated plan, DHCS may establish criteria and a process for approving requests for county exemption from the 30% requirement.
 - **35% for Full-Service Partnerships (FSP)** - Starting with 2032-2035 fiscal years' integrated plan, DHCS may establish criteria and a process for approving requests for county exemption from the 35% requirement.
 - **30% for behavioral health (BH) services and supports:** early intervention programs (at least 50%), workforce education and training, capital facilities and technological needs, innovative behavioral health pilots and project, a prudent reserve (not to exceed 20% of five-year average of funds received, or 25% for small counties), and services under the children, adult, and older adult systems of care.
 - **5% for population-based mental health and SUD prevention programs.**
 - Prior to distribution of county allocations, increases the percentage of total state-directed funding from 5% to up to 8% of total annual revenues (reduces total county allocation from 95% to 92% of total revenues). The increase will fund CalHHS Agency's costs to implement a statewide BH workforce initiative, the costs of which are not to exceed 3% of total funds.
 - Authorizes counties to use up to 2% of funds received to improve plan operations, quality outcomes, data reporting, and contractor monitoring.
- Recasts local mental health advisory boards as behavioral health boards and requires these boards to additionally review and evaluate their local public SUD treatment systems.
- Makes changes to the county planning process, requiring county integrated plans to be developed every three years with over 20 local stakeholder groups including managed care plans, labor representative organizations, and continuums of care, among others.
 - Requires counties to demonstrate coordinated BH planning using various fund sources.
 - Requires a set of measures to track progress and hold counties accountable in meeting specific outcome goals.
- Includes new accountability and oversight measures, requiring counties to annually submit a County Behavioral Health Outcomes, Accountability, and Transparency Report to DHCS, and authorizes DHCS to impose a corrective action plan, monetary sanctions, or temporarily withhold payment to counties that fail to submit data and information.
- Requires a county, for behavioral health services or supportive services eligible for Medi-Cal reimbursement, to submit the claims for reimbursement to DHCS when using MHSA funds.
- Requires counties to pursue reimbursement through other fund sources for a behavioral health service, supportive service, housing intervention, prevention service, or other related activity that is covered by or can be paid from another available funding source, including other mental health funds, SUD funds, public and private insurance, and other local, state, and federal funds.
- Renames the Mental Health Services and Oversight and Accountability Commission as the BH Services Oversight and Accountability Commission and changes the composition and duties of the Commission.

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- Deletes provisions related to innovative programs (INN) and instead requires DHCS to establish a program to be administered by counties to provide housing interventions for persons who are chronically homeless, or who are experiencing or at risk of homelessness.
- Revises the contracting process for mental health services, including authorizing DHCS to temporarily withhold funds or impose monetary sanctions on a county behavioral health department that is not in compliance with the contract.
- Authorizes DHCS to align county BH plans and Medi-Cal managed care plan contract requirements when the same requirements exist across programs.
- Requires each Medi-Cal BH delivery system to report annually to the county board of supervisors on utilization, quality, patient care expenditures, and other data as determined by DHCS.
- Requires the board of supervisors to annually submit an attestation to DHCS that the county is meeting its obligations to provide realigned programs and services, as specified.
- Establishes the grant program parameters for bond proceeds issued in AB 531 (Irwin):
 - Establishes HCD as grant administrator for Veterans BH and Housing Program.
 - Establishes DHCS as grant administrator for BH Infrastructure Act Grant Program.
 - Deems projects funded by these grants as consistent and in conformity with any applicable local plan, standard, or requirement, and allowed as a permitted use within the zone where the structure is located and will not be subject to permits or any other discretionary reviews or approvals.
 - For the Veterans grant program only, also deems the projects funded by the grants consistent and in conformity with any applicable coastal plan, local or otherwise.
 - Exempts projects from CEQA, subject to specified requirements.
- Provides for the submission of the proposed changes to the MHSA to the voters at the March 5, 2024, statewide primary election.
- Deletes the provision that establishes vote requirements to amend the MHSA that previously required 2/3 vote of the Legislature for amendments consistent with, and that further the intent of the Act.
- Specifies the Behavioral Health Services Act will take effect on January 1, 2025, upon approval by the voters of the Behavioral Health Infrastructure [Bond] Act and amendments to the Mental Health Services Act at the March 5, 2024, statewide primary election. (Bond must pass in order for amendments to MHSA to take effect. No provision in the bond bill, however, making its enactment contingent on voter approval of amendments to MHSA.)

[AB 531 \(Irwin\), the Behavioral Health \(BH\) Infrastructure Bond Act of 2023:](#)

- Authorizes \$4.68 billion in general obligation bonds to finance grants for the acquisition of capital assets for, and the construction and rehabilitation of, unlocked, voluntary, and community-based treatment settings and residential care settings.
- Up to \$865 million of the total is to be used for grants to acquire capital assets for, and to construct and rehabilitate housing for, veterans and others who are experiencing or at risk of homelessness and are living with a behavioral health challenge.
- Housing projects funded, in whole or in part, with bond proceeds must use by right subject to a streamlined, ministerial review.
- Requires all contractors and subcontractors performing work on projects to pay prevailing wages for any proposed rehabilitation, construction, or major alterations.
- Provides for the submission of the BH Infrastructure Bond Act to the voters at the March 5, 2024, statewide primary election.