



State of California—Health and Human Services Agency
Department of Health Care Services



EDMUND G. BROWN JR.
GOVERNOR

DATE: June 9, 2016

MHSUDS INFORMATION NOTICE NO.: 16-025

TO: COUNTY BEHAVIORAL HEALTH DIRECTORS
COUNTY DRUG & ALCOHOL ADMINISTRATORS
COUNTY BEHAVIORAL HEALTH DIRECTORS ASSOCIATION OF CALIFORNIA
CALIFORNIA COUNCIL OF COMMUNITY BEHAVIORAL HEALTH AGENCIES
COALITION OF ALCOHOL AND DRUG ASSOCIATIONS
CALIFORNIA ASSOCIATION OF ALCOHOL & DRUG PROGRAM EXECUTIVES, INC.
CALIFORNIA ALLIANCE OF CHILD AND FAMILY SERVICES

SUBJECT: MENTAL HEALTH SERVICES ACT: END OF PROGRAM-RELEASE OF UNENCUMBERED FUNDS DEDICATED TO THE MENTAL HEALTH SERVICES ACT HOUSING PROGRAM

The purpose of this Information Notice is to inform counties of upcoming changes to the Mental Health Services Act (MHSA) Housing Program and additional action required of the counties. DHCS and the California Housing Finance Agency (CalHFA) jointly administer the MHSA Housing Program through an interagency agreement that expired on May 30, 2016. After this date, no further MHSA Loans or Capitalized Operating Subsidy Reserves (COSRs) will be approved by CalHFA under the MHSA Housing Program. The Local Government Special Needs Housing Program (SNHP) will replace the existing MHSA Housing Program.

This Information Notice applies to any county that 1) has unencumbered MHSA Housing Program funds on deposit with CalHFA and/or 2) has existing MHSA Housing Program loans or COSRs. NOTE: MHSA funds are considered encumbered once CalHFA senior staff approve funds for a loan or COSR.

Because the MHSA Housing Program is expiring, CalHFA must release any remaining MHSA funds to counties by November 30, 2016. The forms that a county must complete depend on whether the county has 1) an existing MHSA Housing Program development and/or 2) unencumbered funds.

Counties that have financed a MHSA Housing Project

If a county has financed a MHSA Housing Project (see Attachment D, column 4) the county must complete the Ongoing Annual MHSA Fund Release Authorization for Future Unencumbered Funds (**Attachment A**). Attachment A is necessary because it advises CalHFA how to handle future funds that may be received by CalHFA on behalf of the county. These funds may include deposits of disencumbered MHSA Housing funds (i.e., COSR funds that are no longer required by a Project, or funds approved for a loan that is never funded), MHSA residual receipt loan payments, and accrued interest. Funds will be released annually by CalHFA by May 1st of each calendar year starting in 2017. County options for unencumbered or disencumbered funds are to release and return all funds to the City/County, or to release and assign all funds to the CalHFA administered SNHP for use in financing the development of permanent supportive housing and to provide capitalized operating subsidies (if applicable) for projects housing MHSA eligible tenants. If a county elects to authorize the continual assignment of future available MHSA funds to the SNHP, CalHFA will report the amount of funds assigned to the county on an annual basis.

If a county also has unencumbered funds on deposit with CalHFA as of May 31, 2016, (see Attachment D, column 3), the county must complete the MHSA Housing Loan Program Fund Release Authorization for Existing Unencumbered Funds form (**Attachment B**).

The county has three options for the use of the unencumbered funds:

- (1) Request CalHFA release and transfer a percentage of funds to specified MHSA Project COSRs administered by CalHFA. Counties choosing this option must complete the MHSA Fund Release and Transfer Authorization form (**Attachment C**); and/or
- (2) Request CalHFA release and return all or a specified amount of funds to the City/County; and/or
- (3) Release and assign the balance of funds to CalHFA's new Local Government SNHP for use in financing the development of permanent supportive housing and to provide capitalized operating subsidies (if applicable) for projects housing MHSA eligible residents.

Counties that have not financed a MHS A Housing Project as of May 31, 2016

If a county has not financed a MHS A Housing Project and has unencumbered funds on deposit with CalHFA as of May 31, 2016, (see Attachment D, column 3), the county must complete the MHS A Housing Loan Program Fund Release Authorization for Existing Unencumbered Funds form (**Attachment B**).

Instructions for Submission

Forms must be signed by the mental health director and approved by the Board of Supervisors.

Completed forms with evidence of Board of Supervisors approval must be sent to the address below:

California Department of Health Care Services
Mental Health Services Division
MHS A Program and Fiscal Oversight Section
1500 Capitol Avenue, MS 2704
Sacramento, CA 95899-7413

Deadline for submitting forms is September 30, 2016.

Upon receipt, the Department will sign and forward the completed forms to CalHFA. CalHFA will process the forms and, if applicable, release to the requesting county the requested unencumbered funds by check, including accrued interest. For questions about MHS A fund balances, please contact Jennifer Beardwood with CalHFA at jbeardwood@calhfa.ca.gov or (916) 326-8805.

Use of Funds: Counties must spend released Mental Health Services Funds monies to provide "housing assistance" to the target populations identified in Welfare and Institutions Code (W&I) Section 5600.3 (W&I Section 5892.5 (a)(1)). Housing assistance means rental assistance or capitalized operating subsidies; security deposits, utility deposits, or other move-in cost assistance; utility payments; moving cost assistance; and capital funding to build or rehabilitate housing for persons who are seriously mentally ill and homeless or at risk of homelessness (W&I Section 5892.5 (a)(2)).

Administration of Funds: A County's administration of released Mental Health Service Funds is subject to the requirements of the MHSA (W&I Section 5892.5 (b)) including, but not limited to, the following:

- The County must follow the stakeholder process identified in W&I Section 5848 when determining the use of those funds;
- The County must include the use of those funds in the County's Three-Year Program and Expenditure Plan or Annual Update, per W&I Section 5847;
- The County must account for the expenditure of those funds in the County's Annual Revenue and Expenditure Report (W&I Section 5899). Reporting will begin in the fiscal year when the MHSA Housing Program funds were released to the County by CalHFA; and
- The County must expend those funds within three years or the funds will be subject to reversion (W&I Section 5892 (h)).

If you have any questions, please contact Donna Ures at donna.ures@dhcs.ca.gov or (916) 324-0401.

Sincerely,

Original signed by Brenda Grealish for

Karen Baylor, Ph.D., LMFT, Deputy Director
Mental Health & Substance Use Disorder Services

Attachments

Attachment A: Ongoing Annual MHSA Fund Release Authorization for Future Unencumbered Funds

Attachment B: Fund Release Authorization for Existing Unencumbered Funds

Attachment C: Fund Release and Transfer Authorization

Attachment D: MHSA Housing Program Fund Balance