MHSA Under Threat

The Mental Health Services Act (MHSA) – also known as Proposition 63 – was passed with great fanfare and statewide excitement by California voters in 2004. The bill – overwhelmingly supported by residents throughout the Golden State – imposed a then-significant 1% tax on California’s growing millionaire population (those with personal income over $1 million) to fund the provision of behavioral health services. At least 95% of MHSA revenues – the vast majority of funds – is handed over to counties (and their respected mental health systems) directly - to fund the delivery of a wide array of specialized services for individuals living with or at risk of developing a mental illness. Almost immediately, the highly-anticipated MHSA began to pay dividends for county mental health plans – who began to receive (highly influential, largely unexpected, and regular) monetary support to support (and arguably improve) the landscape of behavioral health services within their municipalities. Roughly one-third of (all) the county mental health infrastructure throughout the state of California is fueled and/or directly supported by the MHSA – which contributes over $3.8 billion annually.

Most who have worked directly within the behavioral health space/field in the (almost) two-decades since California voters overwhelmingly greenlighted Proposition 63 (the MHSA), herald the bill as a “system-shifting-success.” But at the same time, 19 years later, others (including a large lot of Capitol Hill) are vociferously calling the MHSA “antiquated, ineffective, and behind the times.” The fight is real. And so are the implications. Existing law authorizes the State Legislature to add (any needed) provisions to clarify and modify procedures of the Mental Health Services Act by a majority vote. Governor Gavin Newsom understands this - and is actively using his
extensive political capital to mount a cold and calculated charge at the MHSA, local behavioral health programs, and the discretion and flexibility that California’s county mental health plans have had to effectively deliver them. In many respects, Newsome wants to completely reshape and reinvent the wheel of the MHSA – significantly altering the way that California spends its “millionaire’s tax.” The Governor’s controversial new legislative proposal - which he says will effectively “modernize California’s behavioral health system” - will be presented to voters on March 5, 2024. If passed by a majority vote, Newsom’s bill (SB 326 Eggman) would immediately recast and officially rename the Mental Health Services Act (MHSA) – shaking the foundation of its almost-two-decade legacy - as the “Behavioral Health Services Act (BHSA).”

The Mental Health Services Act established (rather) broad categories for how California counties can spend their annual windfalls (cash infusions) – and most importantly the percentage of funds which must be spent on certain areas and activities. Three components of the MHSA focus on direct clinical services (Community Services and Supports, Prevention and Early Intervention, and Innovative Programs) and three components focus on Infrastructure (Capital Facilities, Information technology, and Workforce Education). If it passes in the statewide March 2024 primary election, Governor Gavin Newsom’s Behavioral Health Services Act would drastically change the funding categories of the MHSA – requiring county mental health plans to allocate (much) more funding towards housing interventions (a huge theme), Full Service Partnerships (FSPs) and treatment of substance use disorders (SUDS) - all while reducing individual municipalities’ overall discretion. Rather notably, the BHSA would eliminate the long-standing and influential “Innovative Program” category in favor of the administration of programs providing a broad array of housing interventions. Some behavioral health insiders/experts forecast an imminent clash between established mental health programs and other (BHSA advents) who offer homeless services (a buzz word)– each “side” is reliant on the same (limited) MHSA/BHSA funding to sustain their operations.

Those on the current (MHSA) side of things contest that the state has already gone “all in” on homelessness – having spent more than $20 billion on housing and homelessness since 2018. Newsom and those in the BHSA camp, who plan on diverting nearly one third of the state’s Mental Health Services Act money to help address homelessness contend that homelessness is one of the most high-profile challenges plaguing California – increasing 32% in the past four years. At the end of the day, there’s a distinct possibility that, after heated battles and fisticuffs, the re-vamped MHSA (BHSA) could very well result in county mental health plans (throughout the state of California) having to spend less, cut back on, or even entirely eliminate some of their current (and provenly effective) programs - and other long-functioning mental health offerings/services established within their communities. We’ll examine “why” in this report - and examine the implications that SB 326 Eggman could have here in Santa Cruz County- for our extremely important and impactful local County Mental Health Plan and its associated community based and partner organizations.

An Examination of SB 326 (Eggman) – “The Behavioral Health Services Act” - Gavin Newsome’s Proposal to “Modernize California’s Behavioral Health System.”

Modernizing California’s mental health system sounds like a rather romantic notion on the surface – heck, the original Mental Health Services Act legislation (2004) hasn’t had a severe poke (or largescale shake up) in almost 2 decades. But, before we all get aboard Gavin Newsom’s bullet train policy and deem the upcoming MHSA revamp 100% necessary, we need to closely examine the specifics and get into the nitty gritty of the bill: what are the potential gains of the far-reaching piece of legislation, and what could be the potential losses (or changes) for individual county mental health systems.

In a dramatic move, SB 326 (Eggman) would radically alter the distribution of funding – completely doing away with some key, and arguably foundational, funding vehicles and modalities prominently featured in the current MHSA funding paradigm/program. One of the first major things that the new (newly named) Behavioral Health Services Act would do is open up direct funding sources to serve those with (all manner and states of) substance
use disorders (SUD). A small, but impactful percentage (5%) of BHSA funding will go directly to population-based mental health and SUD programs. But, a much larger piece of the proverbial pie will almost undoubtedly be necessary to serve this new, pressing, and at-risk population (often living with co-occurring disorders). Over $1 billion (30% annually) of total BHSA dollars would be dedicated to housing interventions – and 50% of that amount would be used to serve those who are chronically homeless (with a focus on encampments). 35% of BHSA dollars would be specifically earmarked for what are known as Full Service Partnerships (FSPs) - Newsom’s immediately impactful Behavioral Health Services Act would devote 30% of the “millionaire’s tax” to “behavioral health services and supports” – including workforce education and training, capital facilities and technological needs, innovative behavioral health pilots and programs, services under the adult, child, and older adult systems of care, and early intervention programs (at least 50% of total spending in the category).

As noted previously, SB 326 (Eggman) and the Behavioral Health Services Act would completely do away with any and all county “innovation programs” – a mainstay and staple in the (current) MHSA days. Instead, Newsom’s legislation requires the establishment of a county-administered program to provide housing interventions for persons who are chronically homeless, or who are experiencing or at risk of homelessness. Gavin Newsome has high hopes that voters will validate his proposal (SB 326 Eggman) *in conjunction with a complimentary $4.68 billion bond measure* to significantly replenish California’s psychiatric treatment beds. The bond measure – the Behavioral Health Infrastructure (Bond) Act – *must pass* in order for the amendments to the Mental Health Services Act (SB 326 Eggman) to pass concurrently in the March 5, 2024 statewide primary election. Just an FYI: AB 531 (Irwin) the Behavioral Health Infrastructure Bond Act of 2023 authorizes $4.68 in general obligation bonds to finance grants for the acquisition and construction and rehabilitation of unlocked, voluntary, and community-based treatment settings and residential care settings. Of the $4.68 billion, up to $865 will be used to construct and rehabilitate housing for veterans and other experiencing, or at risk of homelessness (and are living with a mental health challenge). At least that’s the ultimate proposed goal.

**The Allocation and Funding Categories of MHSA Revenues Under Current Californian Law**

When Californian voters approved the groundbreaking Mental Health Services Act in 2004 – which exacted a 1 percent tax on (all) residents earning more than $1 million dollars to fund the provision of the state’s mental health services – broad categories were established to dictate how counties could spend the influx of cash (and the fixed percentage of funds that needed be spent on specific kinds of activities). At least 95% - the vast majority – of MHSA funds were initially allocated to support a wide (and in some cases revolutionary) array of services for men and women living with or at risk of a mental illness. Here are the existing MHSA funding categories and their respective (set in stone) allocations:

(Total of $2.1 Billion Annually)

**Prevention and Early Intervention:** $369 Million - 19%  
Outreach to Older Adults (Seniors) – Suicide Prevention – School-based Services

**Innovation Programs:** $91 Million - 5%  
Technology Integration – Holistic Care

**Community Services and Supports:** $1.626 Billion - 76%  
Outpatient Treatment – Crisis Intervention – Full-Service Partnerships – Wellness Centers – Capital Facilities – Housing Services – Workforce and Training

You’ll immediately notice that the vast majority (76%) of current (county) Mental Health Services Act funding must be allocated and directly spent on providing various “Community Services and Supports” (CSS). This wide, expansive – and quite foundational - spending category actively supports a wide range of direct service provisions delivered by county mental health plans (including outpatient treatments). Current state regulations require counties to use a full 50% of all Community Services and Supports funds to establish and fuel Full-Service Partnerships (FSP’s). FSP’s (an emerging and contested buzz word and soon-to-be central issue for both sides of
the status quo vs. BHSA debate) provide much-needed mental health and wrap-around services – like employment and housing support, case management, and clinical care – for individuals deemed to have “the greatest mental health needs.” In addition to direct funding for Community Services and Supports, counties can devote 5% of their MHSA haul to “Innovation Programs” – with which they can tinker around, experiment, and try brand new and novel approaches to preventing and treating mental illness in their communities. As noted above, counties must devote 19% of their total MHS funding to Prevention and Early Intervention (PEI) activities – specifically aimed at preventing mental illnesses before they become crippling and/or severe.

In the subsequent sections, better picture will emerge of exactly how Governor Newsom’s new legislation (SB 326 Eggman) could change and disrupt the current (and arguably effective) MHS paradigm and existing behavioral health services – requiring counties to allocate significantly more MHS/BHSA funding towards providing housing interventions and funding local Full Service Partnerships. All while potentially reducing overall county (mental health plan) spending discretion and available funds to support a number of their currently financed (and effective) programs. For example, the newly (eventually) passed Behavioral Health Services Act would completely eliminate (delete all of the provisions relating to) the highly-praised Innovative Program category – instead requiring county mental health plans to establish and directly administer a program providing housing interventions.

The Big Shift: Imminent Changes in the Funding Categories and County Allocation of MHSA Funds Under Gavin Newsom’s Controversial Proposal (SB 326 Eggman) – Known as the “The Behavioral Health Services Act”

If given the greenlight by California voters at the March 5, 2024 primary election SB 326 (Eggman) – also widely known as the governor’s Behavioral Health Modernization proposal– would unilaterally and almost instantaneously influence and effect the way counties (statewide) allocate funds to support local services devoted to individuals living with or at risk of developing a mental illness within their communities. Some laud Newsom’s proposed legislation – an expansion to include treatment of substance use disorders - as “progress and modernization,” and others contend that SB 326 is a step (back) in the completely wrong direction. The (newly established) BHSA would still allocate 92% of total funds directly to California counties (and their respective mental health plans) - but the focus of funding allocations would shift towards providing additional funds for housing interventions and the support of Full-Service Partnerships (including Substance Use Disorder and Assertive Community Treatments).

In conjunction with the Behavioral Health Infrastructure (bond) Act. – which must concurrently pass in the March primary in order for the Governor’s proposed sweeping amendments to the MHSAs to take effect – SB 326 (Eggman) zeroes in on the housing crisis that is (and has been) actively plaguing communities across the state. Some critics contend that the diversion of (strict and categorized) behavioral health dollars to combat housing insecurity and outright homelessness isn’t the (current) right, equitable and prudent strategy. But, under the Governor’s proposal a full 30% of MHS/BHSA county funding would be used for housing or infrastructure funding to formulate new housing and the provision of housing itself. Housing and the unhoused are huge themes throughout the burgeoning piece of legislation. One of the key areas of foci for SB 326 and its companion $4.68 Billion Bond Act that need to be “OK’d” by California voters in March 2024. The Governor’s proposal would require that 50% of MHS/BSA funds in the important “Housing Intervention category” (30% of total funds) be directed for the provision of housing interventions for individuals experiencing chronic homelessness. And all of the housing services provided by Full-Service Partnership participants/organizations (another buzz word) would also be counted under this influential category.

With “housing” and housing interventions the obvious victors (and foci) in Governor Gavin Newsom’s sweeping dismantlement of the Mental Health Services Act – in favor of his own Behavioral Health Services Act and accompanying Bond measure – some county mental health plans (and key players within the California behavioral health space) have vocalized their concern regarding a possible reduction in the flexibility in the dispersion of
MHSA funds within their (long-established) communities. Some studies have shown that based on current expenditures, individual counties would be forced/required to increase spending on Full-Service Partnerships by around $121 million and spending on “housing” by $493 million in the coming years (if SB 326 Eggman is pushed forward in March 2024). Let’s take a quick look at – and brief breakdown of – the key allocation of MHSA funds and specific categories existing within SB 326 (Eggman) – California Governor Gavin Newsom’s Behavioral Health Services Act:

**Housing Interventions:** 30%
Family Housing for Children and Youth – Rental and Operating Subsidies – 50% for Chronically Homeless Individuals

**Behavioral Health Services and Supports:** 30%
Adult, Older Adult, and Youth Services. – Capital Facilities – Deposits to Prudent Reserves – Early Interventions (Majority Must be Spent on Early Interventions)

**Population-Based Mental Health and Substance Use Disorder Prevention:** 5%
Suicide and/or Overdose Prevention – Population-wide Reduction in Mental Health Disorders (Cannot Include the Provision of Services to Individuals)

**Full-Service Partnerships:** 35%
Substance-Use Disorder Treatment – Assertive Community Treatment – Employment Services

The first thing that you’ll notice when comparing and contrasting the funding/spending categories inherent to the existing Mental Health Services Act and the Governor’s proposed Behavioral Health Services Act is the complete elimination/dismantlement of “Community Services and Supports (CSS).” This powerful and foundational MHSA funding avenue/stream – encompassing everything from outpatient treatment and crisis intervention to wellness centers and housing services – has long-fueled a monumental 76% of total behavioral health programming in counties (mental health plans) throughout the State of California. Gavin Newsom’s legislation and sweeping transformation will undoubtedly cut into the funding discretion that counties have long enjoyed – to innovate, target local populations, and exact positive systemic change. The funding category that gives county mental health plans the most freedom and overall flexibility – Behavioral Health Services and Supports (BHSS) – is miniscule compared to existing policy (Community Services and Supports). Under Newsome’s proposal, only 30% of total MHSA county funding would go towards supports and services for adults, older adults, and children, early intervention programs (majority), workforce education/training, capital facilities and technological needs, and innovative behavioral health projects.

Trying to figure out exactly how the exact percentages work out and line-up when comparing the highly disparate MHSA and BHSA funding structures – “this money goes to this category and this money goes to this category ... and these categories combine and create this spending category” – can be a rather confusing undertaking. In many areas and respects, the BHSA and MHSA don’t totally jive or completely line up. But the total (potential) change exacted by Newsome’s system-shaping proposal is massive. Under the Governor’s proposal, 30% of total MHSA funds allocated California counties must be used on housing intervention programs/undertakings for the provision of housing – or any kind of infrastructure funding to create brand new housing. And 50% of all (these) funds dedicated to this (brand new and controversial) funding category must be used to create/facilitate housing interventions for those who are chronically homeless. Newsom’s proposal would decree that all counties spend a substantial 35% of total funding on “Full-Service Partnerships” – including a brand-new focus on substance use disorders and assertive community treatment.
Exact Dollar Amount (a total of $2.1 Billion in MHSA funds) That Will be Allocated to Each (New) Category Under Governor Gavin Newsome’s Proposed SB 326:

$730 Million: Devoted to Full-Service Partnerships (Services for those enrolled in a partnership – including housing interventions)
$626 Million: Devoted to Housing Interventions and Supports (50% on services for the chronically homeless)
$626 Million: Devoted to Behavioral Health Services and Supports (wellness centers, crisis intervention, stigma and discrimination reduction, outpatient treatment, school-based services, outreach, older adult and youth-centric services, capital financing, technology improvements, workforce development and education)

When you begin to (carefully) compare and contrast current expenditures to those dictated by Newsom’s SB 326 proposal you’ll find that counties across the state of California will have to significantly increase spending in two key areas: housing (the chief focus and foundation of the new proposed legislation) and Full Service Partnerships (FSP’s). To achieve funding targets, housing interventions are estimated to draw around $493 million from county coffers. And Full-Service Partnerships an additional $121 million.

To fund these dramatic expansions and developments under the advent of SB 326, counties would need to scramble to reduce or redirect their expenditures on programs/offering that fall under the Behavioral Health Services and Supports funding category limit. This turns out to be a pretty big deal – effecting the way that counties support their current (and largely effective) behavioral health programs and partners and expand their community-based offerings in the future. Currently, under the Mental Health Services Act, expenditures that would be eligible under the (new or possibly forthcoming) BHSS category make up around 60% of total MHSA dollars/expenditures. Newsom’s SB 326 caps the (at least now) broad category at 30% - meaning expenditures would have to be slashed dramatically – from close to $1.3 billion to $621 million.

At the end of the day, after all careful analysis, it seems as if the proposed revamped MHSA (known as the BHSA in the future) would dramatically shift the focus of funding to early intervention programs, Full-Service Partnerships, and (most importantly) housing. The change would undoubtedly affect – and perhaps eliminate - the currently available programming provided by counties, partner organizations, and community-based organizations under the currently functioning MHSA – including prevention and outreach services, crisis response, and outpatient services.

When the Mental Health Services Act levied a 1% tax on personal income above $1 million to mend California’s fractured behavioral health system, the funds represented nearly a third of all dollars spent in the field. Currently, the majority of money goes directly to counties to use as they see fit. There’s much-appreciated flexibility and adaptability endemic to the present system. The proposed (funding) categories introduced by Newsom and his administrative constituents could hatchet away at the flexibility long afforded to individual counties- to deliver precise and tailormade behavioral health services within their communities. By establishing the “Behavioral Health Services and Supports” (BHSS) as a sort of “super category” – with only 30% of total spending allocated towards all of it – Governor Newsom would effectively eliminate a huge chunk of the MHSA funding that could/can accommodate flexible program expenditures. Brand new BHSS policies (under SB 326) would decree that counties spend precious funds on things like early interventions that would cut into funding available for other (proven or innovative) county initiatives.

The fact that the majority of Behavioral Health Services and Supports (BHSS) funds must be spent on “early intervention programs” will surely loom large going into the future – putting a stranglehold and establishing a choke point on currently existing expenditures – including outpatient treatment services, prevention services, outreach, and crisis response. All programs existing within the current (MHSA) “Community Services and Supports” structure – representing 76% of $1.626 billion in annual MHSA expenditures – will be totally split up and separated; classified under new Housing Interventions, BHSS, and FSP categories. Where specific (currently operating MHSA behavioral health) programs will fall within the new BHSS framework is still being
discussed/debated - but it’s assumed that all Prevention and Early Intervention (PEI) programs would fall under the BHSS category, and innovation programs under Housing Interventions and BHSS. But the exact percentages and monetary allocations are still being worked out - and largely up in the air at this point. Many who’ve combed through the legislation and crunched the numbers believe that there’s a sizable chance that some/many PEI and CSS programs that fit within the newly established BHSS category could experience sizable reductions in MHSA funding.

For many California counties, the MHSA was (and has always been) a total godsend. Almost overnight, it gifted (county) mental health plans a hugely appreciated degree of flexibility and discretion in how they could deliver over $2.1 billion annually to fund, fix, and dramatically improve their arsenal of locally offered behavioral health services. For years, counties have operated with relative freedom and confidence – operating a superfluity of Innovation, Community Supports and Services (CSS), and Prevention and Early Intervention (PEI) mental health programs to meet local needs with relative impunity. The flexibility, freedom, and autonomy offered and guaranteed by the MHSA – and its almost two decades of transformative policy – will most likely be a thing of the past (a happy and cherished memory) if Governor Gavin Newsom’s sweeping SB 326 proposal actually passes in the March 2024 primary - and manifests as the system-changing, system-shaking (or system breaking?) legislation that many say that it could be.

The Behavioral Health Infrastructure Bond Act: The Companion (Or the Crux?) of SB 326?

In addition to dutifully pushing SB 326 through the legislative process, California Governor Gavin Newsom is backing – and urging the State’s voters to approve – a massive $6.38 bond measure on the March 2024 primary ballot. The Bond – known collectively as the Behavioral Health Infrastructure Bond Act – would fund an impressive 10,000 new mental health treatment beds. Here’s the key: The bond measure must pass in order for the amendments to the Mental Health Services Act (SB 326 Eggman) to (also) pass concurrently in the March 5, 2024 primary election. AB 531 (Irwin) the Behavioral Health Infrastructure Bond Act of 2023 authorizes $4.68 in general obligation bonds to finance grants for the acquisition and construction and rehabilitation of unlocked, voluntary, and community-based treatment settings and residential care settings. Of the $6.38 billion, up to $865 will be used to construct and rehabilitate housing for veterans and other experiencing, or at risk of homelessness (and are living with a mental health challenge). At least that’s the ultimate proposed goal. The debate surrounding the AB 531 Bond Act has gotten hot recently, and some mental health advocates harbor concerns that the housing mandate and SB 326 could result in a sizable ($700 million +) loss to existing county mental health plans and their existing services.

Pushing Back: Opponents of SB 326 and AB 531 ($4.68 Billion Bond Act) Make Their Voices Heard

Not everyone is (or was) happy with Gavin Newsom’s proposed largescale dismantling of the almost-two-decades-old Mental Health Services Act. Many service providers, mental health advocates, and analysts have voiced serious gripes about SB 326 (and its sister AB 531 Bond Act). When California’s Governor announced his plans to battle the state’s escalating homeless crisis using MHSA dollars during his January 2024 State of the State tour, scores of groups rose in active opposition - voicing concerns that the new and sweeping housing mandates could jeopardize (some, or many) existing behavioral health programs. Many established mental health providers (and peer groups) rose together to collectively battle against the Governor and his Sacramento constituents (fellow legislators) – criticizing them for neither providing a complete justification for their proposed far-reaching changes (in SB 326), nor extensively analyzing how these changes may negatively impact currently delivered/offered services in their communities. Recently, it seems like the Governor is starting to be willing to listen – and in some cases willing to completely acquiesce – to growing, collective, organized, and unified pressure.

Responding to His Constituents – Gavin Newsome’s Recent Amendments to SB 326

Governor Gavin Newsom’s dramatic unveiling of SB 326 - his sweeping and transformational set of reforms to the existing Mental Health Services Act – probably didn’t go as smoothly as he planned. Newsome desperately tried to
spin a universally positive narrative - that the vast majority of California county mental health plans (and their respective partners and community-based organizations) were 100% behind his legislation. Well, no. Even though Newsome proudly highlighted a flashy collection of glowing accolades and atta-boys from influential leaders in the State’s behavioral health and substance use disorder spheres of influence, serious - and swelling - opposition to his system-shifting policies quickly emerged. As voices in protest (and outrage in many cases) grew louder – and more impassioned - statewide, Newsom and his colleague and SB 326 compatriot Senator Eggman bowed to mounting pressure – and responded with a series of important and far-reaching amendments to the (their) bill.

Prior to the recently-announced amendments to SB 326, many of the State’s (children’s) mental health advocates were up in arms – argued that the Governor was effectively pitting the California’s children and homeless residents against each other – forcing them to compete for the same services (and basic funding streams). The (current) MHSA has long-focused on the areas of prevention and children’s services – areas where the State of California has long-underinvested. Those involved in adolescent (and TAY) mental health contended that Newsom’s original (pre-amended) BHSA legislation would siphon funds away from (currently offered) prevention and early intervention services for youth, and actually/ultimately worsen California’s mental health crisis. Current MHSA policy requires a portion of its funds to be spent on children and youth – 51% of early intervention and prevention dollars are required to be spent on those 0-25 years old. Newsom’s original proposed changes to the MHSA effectively eliminated any and all requirements that money be spent on children and transition age youth – and opened up the possibility for counties to spend zero dollars on children’s mental health. If the original proposed changes (and bill text) to the MHSA were enacted in their entirety, the State’s children and TAY population could have experienced a reduction in annual behavioral health services and supports of over $700 million.

If enacted in its original form, SB 326’s complete lack of funding for and focus on children’s/youth/adolescent behavioral health (services) could have had a dramatic, immediate and possibly catastrophic effect for county mental health plans (and the State’s mentally ill youth.) As frustrations and tensions mounted, and conversations between the Governor’s office and up-in-arms (children’s) mental health advocates became increasingly heated Newsom and Eggman caved – approving a series of amendments to their prized legislation. Most importantly, the amendments include a mandate that 51% of money set aside for prevention programs to directly toward youth and children under the age of 26. The newly amended language in SB 326 Eggman is/was the result of weeks of stakeholder meetings, input, and impassioned back-and-forth – and is already garnering an overwhelmingly positive response among children’s groups, counties, and families throughout California. “We really, really want to thank the administration for being so willing to work with us on these amendments,” says Lishaun Francis, director at youth-advocacy group Children Now. “We were really excited to see a number of things - primarily the set for kids in the prevention and early intervention bucket.”

SB 326 Criticisms Continue to Persist Throughout California

If approved by voters in the March 2024 primary election, SB 326 together with companion and sister AB 531 (Behavioral Health Infrastructure Bond Act) could result in sweeping, once-in-a generation policy changes. Some critics call SB 326 and AB 531 “rushed” – a far cry from the original 2004 Mental Health Services Act (MHSA) legislation that was born from public hearings and multi-year discourse from stakeholders and probably most importantly, mental health consumers, throughout the state of California. Gavin Newsome’s complete 233-page overhaul of the MHSA is criticized as being overly complicated – rushed - and drafted behind closed doors without the same degree of stakeholder, consumer, and broad community feedback.

It’s not uncommon to hear the word “rushed” – or even “rash” – when discussing the Behavioral Health Services Act (SB 326) and its constant companion legislation AB 531. Critics argue that putting both system-shifting pieces on the March 2024 legislature is unnecessarily swift for such a massive reform, and that this go around, consumers
and educated stakeholders will have less than 6 months to totally discuss, digest, and provide necessary feedback on the ballot measure. Critics argue that the stakeholder process and direct consumer involvement so intrinsic – and vital- to the original 2004 MHSA legislation has not been evident in the current legislation.

Input from consumers – those partaking in behavioral health and substance use disorder treatments/services – and directly impacted populations were key to the development of original MHSA policy. But SB 326 may allow counties (mental health plans) to implement changes to their MHSA/BHSA plans without the currently required stakeholder process. Consumers living with a (serious or mild) mental illness offer unique and often vital perspectives regarding systemic issues and injustices that abound. Senate Bill 326 will increase membership on the Mental Health Services Act Oversight and Accountability Commission from 16 to 20 people but cap the number of voting consumers at 2.

Current State of Legislation: SB 326 and AB 531 – What’s Next?

Gavin Newsome’s groundbreaking and quite controversial legislative package meant to modernize and transform California’s behavioral health system passed a significant hurdle in late August 2023. After a close examination and a not-so-dramatic debate, the State Assembly Health Committee voted – in an overwhelmingly decisive 11-0 manner – to pass SB 326 (authored by Senator Susan Eggman). The vote by the Assembly Health Committee may have seemed assumed, blasé, or uneventful to some closely following the journey of Newsome/Eggman’s proposed modifications to the MHSA (part of the Governor’s two-bill legislative package), but it did mark the very first vote on SB 326 by any (important) governmental party.

Gavin Newsom’s two bill package – SB 326 and companion $6.38 billion bond measure AB 531 – moved onto the next phase (California Legislature) ... inching one step closer to a sure-to-controversial placement on the ballot at the 2024 March primary election. Both bills have been designed to work concurrently (and must be passed together) – with the ultimate goal of completely transforming the design of and monetary allocations devoted to California’s mental health and substance use disorder services system in the years to come. Bond measure AB 531 – which would allocate $4.68 billion to establish new supportive housing and community-based treatment settings – continued its tortuous journey through the State legislature in the Senate Appropriations Committee. And SB 326 – already dissected in this report – ventured on to the Assembly Housing and Community Development Committee.

Just last week - on September 14, 2023- California’s/Newsom’s sweeping mental health transformation initiatives overwhelmingly passed the California Legislature – giving the State’s voters an opportunity to enact the Governor’s proposed sure-to-be impactful health and homelessness measures in March of 2024. The California Legislature approved the two-companion bills – cornerstone pieces of Newsom’s multi-year homelessness and behavioral health agenda – to reform and modernize current MHSA policies and provide funding to build new behavioral health beds and housing for the State’s residents (and at-risk populations). The bills – Assembly Bill 531 and Senate Bill 326 (Eggman) – will dedicate billions of dollars to new behavioral health housing, provide funding key to California’s behavioral infrastructure and workforce, and create new accountability and transparency policies.

The highly anticipated final votes came after months of back-and-forth with stakeholders across the state – including veteran organizations, mental health consumer groups and families with “lived experience,” school administrators, businesses/organizations, first responders, and local (county) behavioral health plans. Newsom’s planned policies were tweaked and amended multiple times to bring more groups/parties on board – supporting his sure-to-be system shaking/shifting bills.

The (proposed) $6.38 general obligation bond to build 10,000 new treatment beds and supporting housing units – Assembly Bill 531 (Irwin) – represents the single largest expansion in California’s mental health treatment and residential settings in the State’s history. If passed by voters in the March 2024 primary election, SB 531 would create brand new (dedicated) housing for homeless individuals living with behavioral health challenges – with a portion of funds directed towards serving America’s veteran population (a $1 billion allocation for housing).
What’s next regarding sister-bills SB 326 (Eggman) and AB 531 (Irwin)? Governor Newsom has until October 14th, 2023 to take action on the legislation. Once signed by Newsom – which is pretty such a done deal at this point – his sweeping modernization of the MHSA and the state’s behavioral health services systems and accompanying (huge) bond measure will head to the ballot – for final approval by Californian voters. Both bills are tightly linked and dependent upon each other and will appear jointly and quite prominently – as a single measure - on the March 2024 ballot as “Proposition 1.”

Upon the penultimate go-ahead of SB 326 (Eggman) and AB 531 (Irwin) by the State’s Legislature, bill-author and Senate Health Committee Chain Susan Eggman sounded relieved and seemed to (finally be) at peace. More than a solid year of constant (and intense) policy-drafting, bill amendments, and heated constituent and stakeholder engagement finally paid dividends:

“I am so grateful for the support of my Senate and Assembly colleagues in approving SB 326 and AB 531 and for the leadership and effort Governor Newsom has demonstrated on reforming our behavioral health care system. Together these bills provide a critically needed overhaul to the landmark Mental Health Services Act and infuse desperately needed resources into our behavioral health care continuum. The Governor made a commitment to get this done this year and today the Governor and the Legislature delivered on that commitment. We have a behavioral health crisis playing out on our streets. With this package, Californians now will have the chance to voice their support for a new direction with a vote for safer communities and a more coherent, functional and humane approach to community-based behavioral health care.” – Eggman

The Curious (And Slightly Controversial) Enigma That is CA State Senator, Susan Eggman

Currently regarded (and lauded) as one of the most knowledgeable and impactful California legislators on behavioral health issues, Susan Eggman will (finally) be termed out of the State Senate this year after nearly 12 years of service. Zeroing in on the possible (eventual) end to her long and slightly unorthodox career as a politician, Eggman has been a whirlwind of activity the past few years. Most notably (recently) passionately pushing for her (and Governor Newsome’s) complete overhaul of the landmark Mental Health Services Act (MHSA) – the so called “millionaire’s tax” passed by voters as Proposition 63 in 2004 – through SB 326. Is the recently focused-upon and newsworthy Eggman making up for lost time, and ending her political tenure with a carefully calculated flourish of activity? It’s definitely worth considering (and examining) her most recent- and highly noteworthy – undertakings in the behavioral health realm (SB 326 included).

An influential (especially recently) Democratic State Senator hailing from Stockton, CA, Susan Talamantes Eggman is on a mission to get things done. Maybe it’s the fact that her waning days in the State legislature – 12 years, first in the Assembly, and now in the Senate – are about to end, that has added fuel to her fire: recently introducing a series of influential (and controversial) legislative pieces/bills that could dramatically shift and transform the landscape of California’s behavioral system - for decades to come (after the eventual end of her political career). Eggman, 62, has stated that when her days - working side by side with the Governor and other State legislators- as an active politician finally end that she will return to teaching Social Work at California State University, Sacramento - and dabble in mental health advocacy. Born in the Castro Valley, where her family owned an apiary (bee keeping business) Susan Eggman’s interest in behavioral health issues coalesced while working at a local psychiatric facility during her senior year of high school. Among other things, Eggman is known to be a “community activist,” and the first Latina and the first Lesbian to be elected to the Stockton City Council (2006). She was teaching at Sacramento State in 2012 when she secured a seat on the California State Assembly – where she served for 8 years – and then was easily elected to the Senate in 2020. Senate Bill 326 – the Behavioral Health and
Modernization Act – is one of Eggman’s most highlighted and arguably impactful measures to date ... but in the recent years, the Democratic State Senator has been introducing and fiercely backing other instrumental pieces of behavioral health legislation as well.

Her (and Newsome’s) modifications to the MHSA and “millionaire’s tax” of 2004 faced major hurdles in the waning days of legislative session, and vocal opposition (and outright condemnation) from stakeholders (mostly consumer groups) and counties concerned about funding allocations and losing vital (long-established) services. And the Behavioral Health Bond Act – co-authored by Eggman – central to Governor Newsome’s efforts to reform California’s behavioral health system and combat the State’s homelessness epidemic will be combined as a single measure - “Proposition 1” - on the March 2024 primary ballot. Her most-recent sister-measures passed just in time: California’s State Legislature adjourned on September 14th, and the bills were pushed through September 14th.

During the past few years, Senator Eggman has introduced a series of bills to attack and attempt to significantly modify the restrictions enacted by the 50-years-old Lanterman-Petris Short Act (LPS). Some have zigged and zagged through the State Legislature and been signed by the Governor. This year, Eggman successfully attempted to expand the rather-restrictive LPS definition of “grave disability” – which she and many behavioral health advocates have long said prevents meaningful and impactful interventions and treatments. Senate Bill 43 – one of Eggman’s most-recent and proudest accomplishments – expands the “grave disability” standard to include substance abuse... which in many cases accompanies and often times exacerbates types of severe mental illness. And results in an inability to care or provide for oneself. SB 43 is a foundational part of Eggman’s overall mission to fix or alter the behavioral health system in California and has emerged as a key piece in her portfolio of legislative initiatives – achieving gradual but growing bipartisan support. While Governor Gavin Newsome hasn’t announced his official position on SB 43, the initiative is expected to pass and be signed by the politician. The specifics of SB 43 were hotly contested in the Capital, and debates over the timeline for implementation of the new standards continued well into the chaotic final weeks of the legislative session. Ultimately, in a flurry of last-minute amendments, counties (and respective mental health plans) were allowed to adopt the expanded LPS standards “optionally” in 2004 but must adopt them by Jan. 1, 2026.

Three years ago, Susan Eggman championed a then-major/influential bill aimed at strengthening the almost-two-decades-old “Laura’s Law” – also known as Assisted Outpatient Treatment (AOT). While working in a behavioral health clinic in 2001 - 19-year-old Nevada college student Laura Wilcox was shot and killed by a symptomatic mentally ill patient whose family’s pleas to treat and intervene were completely ignored by the site’s officials. The eventual policy/bill known collectively as “Laura’s Law” emerged as one of the few legal avenues for family members attempting to help or treat mentally ill relatives. Today, most states – including California – have Assisted Outpatient Treatment programs that provide treatment to severely mentally ill persons (generally voluntarily). And most are overseen by civil, rather than criminal courts to intervene before someone ends up in prison or jail as a direct result of an untreated mental illness. When the original “Laura’s Law” was passed by California legislature in 2002, counties throughout the State could “opt out” – with no public hearings. Eggman’s 2020 behavioral health legislation required all counties who “opt out” to conduct hearings – which generated a vortex of contentious local public debate/hearings/arguments that led to a widespread adopting of Assisted Outpatient Treatments throughout California.

Partly resting on the foundation of Laura’s Law, the “CARE Act” (Community Assistance, Recovery, and Empowerment Act) is Eggman’s most-recent behavioral health initiative to permeate the State of California. Passed just last year, with the strong and steady backing of Governor Gavin Newsom, the CARE Act established statewide – unlike Laura’s Law – with severe (financial) sanctions for counties that fail(ed) to create programs. As a centerpiece to Newsom’s (and Eggman’s) administrative focus on mental health reform (and increased funding), the CARE Act rolled out in eight California counties, and will be featured statewide in 2024. The CARE Act requires that all counties create a brand-new system of civil courts to oversee intervention, housing, and treatment for the
State’s residents “cycling through hospital emergency rooms. In jails or prisons ill-equipped to assist them, or on the streets.” The soon-to-be-decreed CARE Act hasn’t been met without a fair share of negativity and backlash from localities throughout the State – many of whom argue that local funding of CARE Court – intrinsic to the CARE Act – could directly impact local Mental Health Services Act (MHSA) dollars: estimated at $120 million dollars for eight (currently operating) counties and $290 million for the rest of Californian counties (during the next year).

A Quick Note on the Possible Impact on (County Mental Health Plan) Medi-Cal Certified Peer Support Specialists

Passed to wide fanfare and enthusiasm in 2021, the Medi-Cal Peer Support Specialist Certification Program Act established evidenced-based, recovery-focused Peer Support Specialist Services in county mental health plans across the State of California. Many parties closely analyzing SB 326 (Eggman) agree/project that Peer Support Specialist services – across the continuum of care – could be drastically reduced by the passage of the bill. Currently, Medi-Cal certified Peer Support Specialists strictly operate within the Medi-Cal Specialty Mental Health Services and Drug Medi-Cal service (area) administered by individual County Behavioral Health Agencies (plans). Almost 100% of Medi-Cal certified Peer Support Specialists can perform zero work outside of County managed behavioral health programs. Advocacy group “Cal Voices” anticipates that in the first year alone, SB 326 (Eggman) will cut the current level of MHSA funding for Community Supports and Services (CSS) – the main funding source for Peer Support Specialist Services – in half. Today, most Medi-Cal Peer Support Specialists are employed within crisis mobilization teams, outreach and engagement, and outpatient services. By shifting funds away from currently effective behavioral health services and treatments towards housing and other interventions, there may be a significantly reduced need/demand for Medi-Cal Peer Support Specialist services in the behavioral health outpatient system/realm of care. This may influence the hiring and growth of Peer Support Specialists across California – just as formal certification and full employ is finally being implemented statewide.

Direct Impact on Santa Cruz County (County Mental Health Plan and Partner Organizations)

SB 326 – Gavin Newsom’s much heralded bill to ‘revolutionize” the State’s behavioral health (and substance use and homeless services) system will do away with the current – and rather broad- “Community Services and Supports” funding category – redirecting and/or eliminating $1.626 Billion (76% of total MHSA funds) of funding to County mental health plans. Most of the funding will be re-categorized, but some will most-undoubtedly get lost in the shuffle. According to Santa Cruz County’s “MHSA Community Services and Supports Information Sheet” (directly published by the Santa Cruz County behavioral health department) here is what CSS entails, and may be on the proverbial chopping block:

Community Services and Supports: $1.626 Billion - 76%
Outpatient Treatment – Crisis Intervention – Full-Service Partnerships – Wellness Centers – Capital Facilities – Housing Services – Workforce and Training

What is the purpose of the Community Services and Supports (CSS) Component?
To provide services and supports for children and youth who have been diagnosed with or may have serious emotional disorders, and adults and older adults who have been diagnosed with or may have serious and persistent mental issues.

What are the allowable expenditures for the Community Services and Supports (CSS) Component?:
This component allows funds to be used for mental health services, personnel, operating expenditures and program management. Services must address all age groups. Programs funded by the MHSA must be voluntary in nature. The majority of funds under CSS must be used for Full-Service Partnerships.
What are the service categories under CSS?
There are three types of services:

**Full-Service Partnerships (FSP):** The foundation of Full-Service Partnerships is doing ‘whatever it takes’ to help individuals on their path to recovery and wellness. There is a low staff to client ratio, a 24/7 crisis availability, and a team approach that is a partnership between mental health staff and clients. FSP’s assist with housing, employment, and education, in addition to providing mental health services.

**General System Development:** Funds to help improve programs and services to address mental illness or emotional disturbance, including reducing ethnic disparities, mental health treatment, rehabilitation services including supportive housing and supportive employment, and personal service coordination and case management.

**Outreach and Engagement:** This funding is established to reach underserved populations, including outreach to persons with brief or crisis-oriented contact, and as an approach to reduce ethnic disparities.

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**Completely Gone? Santa Cruz County’s “Innovative Programs” MHSA Funding Stream (5% Total MHSA Funds)**

Current MHSA legislation awards Californian counties over $91 million annually to fund “Innovative Programs” within their communities. SB 326 (Eggman) does away with the funding category/avenue entirely – eliminating 5% of (current) MHSA funding. According to the widely available Santa Cruz County MHSA Information sheet, here is how MHSA Innovative Programs are defined and classified:

**What is an Innovative Program?**
An innovative program is defined as one that contributes to learning rather than a primary focus on providing a service. Innovative programs are available for a range of approaches including, but not limited to:
- Introduction of a new mental health practice.
- Substantial change of an existing mental health practice, including significant adaptation for a new setting or community.
- New application to the mental health system of a promising community approach or an approach that has been successful in non-mental health contexts or settings.

As noted in the Santa Cruz County MHSA Information sheet:
Proposed Innovative projects that have previously demonstrated their effectiveness in a mental health setting and that do not add to the learning process or move the mental health system towards a development or new practice/approach may be eligible for funding under other MHSA components. However, an Innovative Project may include a Prevention and Early Intervention (PEI) strategy is it were distinct from the PEI requirements, such as targeted to a group not listed as a “priority population.”

**The Funds for This Component Must be Used for One of the Following Purposes:**
- To increase access to underserved groups.
- To increase the quality of services, including better outcomes
- To promote interagency collaboration
- To increase access to services.

(All innovative projects must be designed for voluntary participation. Innovative projects are largely considered to be pilot or demonstration projects and are subject to time limitations to assess and evaluate their efficacy)

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**Prevention and Early Intervention Services in Santa Cruz County: Reorganized by SB 326**

Senate Bill 326 (Eggman) also does away with the current Prevention and Early Intervention direct MHSA funding stream for Californian counties. Currently, county mental health plans receive $369 million annually (19% MHSA funds) for Prevention and Early Intervention services. Here, according to the “Santa Cruz County MHSA Prevention
and Early Intervention Information Sheet” is what is at risk – of being restructured, altered, or completely eliminated – in the category here, locally.

What is the purpose of the Prevention and Early Intervention (PEI) component?

The intent is to prevent mental illness from becoming severe and disabling. The PEI plan must include at least one of the following programs: Prevention, Early Intervention, Outreach for Increasing Recognition of Early Signs of Mental Illness, Stigma and Discrimination Reduction, and Access to Linkage to Treatment Programs or Timely Access to Services for Underserved Populations. The PEI component may include one or more Suicide Prevention Programs. If programs are combined, the County must estimate the percentage of funds dedicated to each program.

Definition of Programs:

Prevention: A set of related activities to reduce risk factors for developing a potentially serious mental illness and to build protective factors. Examples of risk factors include adverse childhood experiences, experience of severe trauma, ongoing stress, poverty, family conflict or domestic violence, having a previous mental illness, a previous suicide attempt, or having a family member with a severe mental illness.

Early Intervention: Treatment or other services and interventions, including relapse prevention, to address and promote recovery and related functional outcomes for a mental illness early in its emergence.

Outreach for Increasing Recognition of Early Signs of Mental Illness: A process of engaging, encouraging, educating, and/training, and learning from potential responders about ways to recognize and respond effectively to early signs of potentially severe and disabling mental illness. Potential responders include, but are not limited to families, employers, primary healthcare providers, law enforcement, and school personnel. Outreach may include reaching out to individuals with signs and symptoms of a mental illness so they can recognize and respond to their own symptoms.

Access to Linkage and Treatment: A set of related activities to connect children, adults, and seniors living with severe mental illness, as early as in the onset of these conditions as practicable to medically necessary care and treatment, including but not limited to care provided by county mental health programs. Examples include screening, assessment, referral, telephone help lines, and mobile response.

Stigma and Discrimination Reduction: Activities to reduce negative feelings, attitudes, beliefs, perceptions, stereotypes, and/or discrimination related to being diagnosed with a mental illness, having a mental illness, or to seeking mental health services, and to increase acceptance, dignity, inclusion, and equity for individuals with mental illness, and members of their families.

As published in the “Santa Cruz County MHSA Prevention and Early Intervention Information Sheet,” the following strategies and core foci are to be used in each of the County’s (currently MHSA-approved, established, and operating) PEI programs:

Access and Linkage: Connecting people with severe mental illness, as early in the onset of these conditions as practicable to medically necessary care and treatment, including but not limited to care provided by county mental health programs.

Timely Access to Mental Health Services for Underserved Populations (Individuals and Families): Increase the extent to which an individual or family from an underserved population who needs mental health services because of risk or presence of mental illness receives appropriate services as early in the onset as possible, through program features such as accessibility, cultural and language appropriateness, transportation, family focus, and cost of services.

Stigma and Discrimination Reduction: Promoting, designing and implementing programs in ways that reduce and circumvent stigma, including self-stigma, and discrimination relating to being diagnosed with a mental illness, having a mental illness or seeking mental health services, and making services accessible, welcome, and positive.
It’s worth noting that one of the current and core MHSA PEI funding components dictates that presently, a full 51% of PEI budgets must be dedicated to individuals 25 years and younger. Community programs that actively serve caregivers, parents, and family members with the goal of addressing MHSA outcomes for youth and children at risk of or with early onset of mental illness can be counted as meeting this requirement.

The (Potential) Impact Senate Bill 326 (Eggman) Could Have on NAMI Santa Cruz County

With its complete elimination of the currently and healthily funded MHSA Prevention and Early Intervention (PEI) category, Senate Bill 326 (Eggman) would restructure or potentially eliminate funding for some existing programs in Santa Cruz County. Currently, NAMI Santa Cruz County has a long-standing project/partnership with the County of Santa Cruz under the (maybe?-soon-to-be-eliminated) MHSA PEI category – an effort falling specifically under PEI’s “stigma and discrimination reduction” efforts. NAMI Santa Cruz County’s official program name is: Stigma and Discrimination Reduction Agency: NAMI-SCC. Under the current MHSA structure, NAMI SCC is doing everything right – proven to conduct a wide range of activities to “reduce negative feelings, attitudes, beliefs, perceptions, and stereotypes and/or discrimination related to being diagnosed with a mental illness, having a mental illness, or to seeking mental health services – and to increase acceptance, dignity, inclusion, and equity for individuals with mental illness and members of their families.” Under the current MHSA PEI category, NAMISCC is checking all of the boxes. Under Newsom and Eggman’s new proposed BHSA modifications however, NAMI’s position and stature within Santa Cruz County’s mental health plan becomes far less clear/certain though.

The Mental Health Services Act established rather broad – at least broad by today’s standards- categories for how counties across the State of California could spend their share of 2004 millionaire’s tax. And the percentage of their annual cash windfalls that could be spent on certain behavioral health areas and projects. Three components – Innovative Programs, Prevention and Early Intervention, and Community Services and Supports – were key pieces of the clinical services funded by the important piece of legislation. If it passes the statewide March 2024 primary election, Governor Gavin Newsom’s Behavioral Health Services Act would drastically change the funding categories of the MHSA – effectively eliminating the currently operating (and effective) Prevention and Early Intervention category – and require California county mental health plans to allocate (much more) millions (even billions) of (current) funding towards housing interventions and associated initiatives. By zeroing in on homelessness and the unhoused – an issue Newsom and his camp have already spent more than $20 billion to manage (since 2018) – there’s a good chance that the Governor may force counties (like Santa Cruz) to spend less, or completely eliminate some of their current (and arguably 100% effective) programs. And sever ties with long-functioning and specialized behavioral health services and programs within their communities.

Right now – and at least for a few years – NAMI Santa Cruz County is sitting pretty and riding high with its current County (PEI – Stigma and Discrimination Reduction) partnership. But in a couple of years, when (or if) the MHSA and the PEI category are completely wiped off the map, where will the organization be (in terms of partnering with the Santa Cruz County mental health plan?). In the first year alone, Gavin Newsom and Susan Eggman’s system shaking legislation – SB 326 – will reduce the current MHSA funding category “Community Supports and Services” by approximately $700 million – shifting currently allocated behavioral health services funds to housing interventions. This could, and probably will, create a huge deficit in the CSS programming budget (with a complete annihilation of the PEI budget) while also expanding the BHSA target population to include those dealing with substance use disorders (a hallmark of SB 326).
Any and All Suggestions, Questions, Comments, Edits, and/or Clarifications Are Welcome - and can be sent directly to hugh@namiscc.org

Thank you.