



## Policy Brief

### New Funding Opportunities for Reentry & Justice-Involved Individuals: Mental Health, Housing, and Diversion

September 2018

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#### Executive Summary:

This policy brief outlines new funding provided in the 2018-19 state budget for programs aimed at addressing the pressing mental health and homelessness crisis, and new options for diversion. Also referenced are funding opportunities in the 2016-2017 and 2017-18 Budget Act. These new programs create a unique opportunity for leveraging state and local resources that may help meet the treatment and housing needs serve reentry and justice-involved individuals.

- **Adult Reentry Grants**
  - \$50 million; Board of Community and State Corrections
- **Homeless Mentally Ill Outreach and Treatment**
  - \$50 million; Department of Health Care Services
- **Incompetent to Stand Trial (IST) Diversion Program**
  - \$100 million; Department of State Hospitals
- **Community Services Infrastructure Grant Program**
  - \$66 million; California Health Facilities Financing Authority
- **No Place Like Home (NPLH)**
  - \$2 billion; Department of Housing and Community Development
- **Homeless Emergency Aid Program**
  - \$500 million; Homeless Coordinating and Financial Council



**Table 1: An Overview of CA Budget Items Addressing Mental Health, Homelessness, and Criminal Justice Diversion**

<b>Program Title</b>	<b>Total Allocated Funds</b>	<b>Lead Agency</b>	<b>Goal/Mission</b>
Adult Reentry Grants	\$50 million	Board of Community and State Corrections (BSCC)	Support the successful reintegration of individuals formerly incarcerated in CA state prison.
Homeless Mentally Ill Outreach & Treatment	\$50 million	Department of Health Care Service (DHCS)	Provide short-term support for homeless individuals with mental illness.
Incompetent to Stand Trial (IST) Diversion	\$100 million	Department of State Hospitals (DSH)	Decrease IST referrals by developing community alternatives for the diversion of the seriously mentally ill.
Community Services Infrastructure Grant Program	\$66 million	California Health Facilities Financing Authority (CHFFA)	Expand access to diversion programs, treatment facilities, and trauma-centered service facilities in local communities.
No Place Like Home	\$2 billion	Department of Housing and Community Development (DHCD)	Acquire, design, construct, renew, or preserve permanent supportive housing for people in need of mental health services who are experiencing homelessness or are at risk of homelessness.
Homeless Emergency Aid Program	\$500 million	Homeless Coordinating and Financial Council (HCFC)	Provide localities with flexible funds to address immediate homeless challenges.

## **1) Adult Reentry Grants (\$50 million)**

The [Adult Reentry Grant Program](#) was established through the Budget Act of 2018 and appropriates \$50 million in funding for competitive awards to community-based organizations (CBOs) to support individuals formerly incarcerated in state prison. The Board of State and Community Corrections (BSCC) is responsible for oversight of this program and will be the agency that awards the grants. Specific allocations of the funds are mandated to be as follows:

- \$25 million be available for rental assistance,
- \$15 million for the rehabilitation of existing property or buildings for housing offenders released from prison,
- \$9.35 million to support the warm handoff and reentry of offenders transitioning from prison to communities, and
- \$150 thousand to support the Berkeley Underground Scholars Initiative.

The BSCC is required to form an Executive Steering Committee (ESC) with members from relevant state agencies and departments with expertise in public health, housing, workforce development, and effective rehabilitative treatment for adult offenders to develop grant program criteria and make recommendations to the board regarding grant award decisions. Applications for the ESC were due by August 17<sup>th</sup>, 2018; consequently, the full finalized ESC will be announced soon.

This grant program is currently in development and awards are anticipated to be made by June 30, 2019. More guidelines and criteria for the grant applicants will follow shortly after the steering committee is finalized. These funds are available for encumbrance or expenditure until June 30, 2021.

## **2) Homeless Mentally Ill Outreach and Treatment (\$50 million)**

The California Budget for the 2018-2019 fiscal year also supplements existing programs with revenues from the General Fund to address homelessness. For example, the budget includes an augmentation of the [Homeless Mentally Ill Outreach and Treatment Program](#). This budget item affords the California Department of Health Care Service (DHCS) \$50 million for allocation to counties. DHCS would be authorized to use up to \$150,000 of the funds for administrative costs. The funds are available for encumbrance or expenditure through mid-2020 and are intended to provide bridge funding prior to the implementation of other programs targeted at homeless persons with mental illness, such as the No Place Like Home program. The counties are supposed to use the funds to provide multi-disciplinary teams that support intensive outreach, treatment and other services for homeless persons living with mental illness. One of the main goals for this program is to improve early identification of mental health needs, prevention of criminal justice involvement, and better coordination of care for this population at the local level.

Grant determinations will be made by DHCS in consultation with the Department of Finance (DOF) and the California State Association of Counties (CSAC) based on a county's number of homeless persons with mental illness and its overall population. The application for these funds

by the county must be accompanied by a resolution, adopted by the county's governing board, supporting the use of funds for the intended purpose of this item. CSAC has developed a sample resolution for counties to use as part of the application process. Interested entities may visit the [CSAC Homelessness Resource page](#) for the application and sample resolution.

Counties are encouraged to match this one-time funding with local and federal matching funds. These funds shall pay for only that portion of the costs of services not otherwise provided by federal funds or other state funds and shall not supplant other funds for these purposes. Allocations to counties may include counties with Whole Person Care pilots but are not limited to counties with those pilot programs. Other counties with demonstrated need, including populations with recent involvement in the criminal justice system or release from incarceration, are eligible to receive funding under this item.

DHCS has released the application and funding allocations for one-time Homeless and Mentally Ill Outreach and Treatment monies. [The notification](#) was sent to all County Administrative Officers. Applications are due no later than September 25, 2018. Approved applicants will be notified by October 2, 2018 and the funding will be processed for these approved applicants by December 31, 2018. Funds are available for encumbrance or expenditure until June 30, 2019.

### **3) Incompetent to Stand Trial (IST) Diversion Program (\$100 million)**

The Budget Act of 2018 includes \$100 million in General Fund monies to fund community alternatives that will increase diversion of individuals with a mental illness and decrease county IST referrals to state hospitals. Through the [IST Diversion Program](#) the California Department of State Hospitals (DSH) will contract with counties to develop new or expand existing diversion programs for individuals with serious mental illness who are primarily diagnosed with schizophrenia, schizoaffective disorder, or bipolar disorder with potential to be found IST on felony charges. It requires the DSH to consider local discretion and flexibility in diversion activities that meet the community's needs.

Counties are required to submit program plans to DSH and the Council on Criminal Justice and Behavioral Health for review. In addition, counties are required to provide outcome data to DSH. Large counties must contribute 20 percent towards the cost of operating a diversion program to receive 80 percent state funding (up to the specified amount), while small counties are required to contribute 10 percent for 90 percent state funding. A total of \$99.5 million is designated for counties, primarily targeting the 15 counties with the highest referrals of felony ISTs to DSH with funding also available for other counties. DSH will use \$501,000 to fund two limited term positions for program support and oversight and to augment an existing research contract that will support the diversion program. The funds are available for encumbrance or expenditure through mid-2021.

The budget package includes legislation to authorize trial court judges to refer individuals who are likely to be found IST or have been found IST into treatment programs supported by these

funds rather than referring them to a state hospital. If such individuals successfully complete these programs, judges could drop or reduce the charges against the individuals.

#### **4) Community Services Infrastructure Grant Program (\$66 million)**

[Senate Bill 843 \(2016\), Section 52](#) established a competitive grant program to disburse funds for creating and expanding community alternatives to incarceration. The 2017-2018 budget bill then appropriated approximately \$66 million to fund capital projects under the [Community Services Infrastructure \(CSI\) Grant Program](#). The CSI Grant Program is supposed to expand access to jail and prison diversion programs and services; create or expand mental health treatment facilities, substance use disorder treatment facilities, and trauma-centered service facilities in local communities; and reduce the need of mental health treatment, substance use disorder treatment, and trauma-centered services in jails and prisons. The target population for the legislation are justice-involved individuals with mental health illness, substance use disorders, or who suffer from trauma.

Grants will be awarded by the California Health Facilities Financing Authority (CHFFA) on a competitive basis to cities and/or counties. SB 843 does not restrict the types of programs eligible for grant funding. However, programs must divert individuals from jails/prisons and provide mental health treatment, substance use disorder treatment, and/or trauma-centered services. Moreover, the grants will aim to expand local resources for facility acquisition or renovation, equipment purchases, and applicable program startup or expansion costs to increase the availability of these programs. Counties and counties acting jointly are eligible to apply. Applications with multiple counties must designate one county as the lead grantee. One application shall be submitted per Project. [Proposed regulations](#) for the CSI Grant Program were released by CHFFA on August 15, 2018. Eligible Project program costs include:

- facility acquisition,
- renovation,
- furnishings/equipment,
- information technology, and
- three months of program start-up or expansion costs.

The application submission period for the first round of funding in the CSI Grant Program is projected to close March 2019. If funds for grants remain after the first funding round, a second round will open without county maximums and awards will be made statewide on a competitive basis. The following maximum county grant amounts are applicable for the first funding round:

- \$750 thousand for counties with a population of 100,000 or less
- \$1 million for counties with a population between 100,001 & 400,000
- 2.5 million for counties with a population between 400,001 & 1,000,000
- \$4 million for counties with a population between 1,100,001 & 5,000,000
- \$6 million for counties with a population over 5,000,001

## 5) No Place Like Home Program (\$2 billion)

In 2016, the California Legislature enacted the [No Place Like Home \(NPLH\) Program](#), which dedicates \$2 billion in bond proceeds for the acquisition, design, construction, rehabilitation, or preservation of permanent supportive housing for individuals living with a severe mental illness who are also homeless or at risk of chronic homelessness. The program authorizes the issuance of bonds backed by personal income tax revenues raised under the Mental Health Services Act (Proposition 63, 2004). Before these bonds can be issued, the state must complete a validation process whereby the courts determine whether issuance of the bonds is legal. However, to expediate the validation process, [SB 1206](#) has placed the NPLH program on the ballot for the November 2018 general election (Proposition 2), giving voters the ability to affirm the validity of the program. If voters approve NPLH, roughly \$262 million will be awarded each year for seven years and these awards could start near the end of 2018. The Department of Housing and Community Development (DHCD) is authorized to design and implement the program. Documentation pertinent to the [program's guidelines](#), as of August 2018, has been released.

The program supports a “housing first” approach and the three target populations include:

- adults with serious mental illness who are homeless, chronically homeless, or at risk of chronic homelessness,
- children with severe emotional disorders and their families who are homeless, chronically homeless, or at risk of chronic homelessness, or
- people who require or are at risk of requiring acute psychiatric inpatient care, residential treatment, or outpatient crisis intervention and who are also homeless, chronically homeless, or at risk of chronic homelessness.

The term “at risk of chronic homelessness” includes, but is not necessarily limited to:

- adults with mental illness exiting institutionalized settings with a history of homelessness prior to institutionalization, and
- transition age youth facing homelessness or significant barriers to housing stability.

The NPLH initiative could be used to provide supportive housing for the reentry population, including parolees. Indeed, persons on parole can reside in NPLH funded housing as long as they otherwise qualify under the tenant eligibility requirements for the program. *Parolee status does not prohibit someone from residing in an NPLH financed unit.*

Counties, either solely or with a housing development sponsor are eligible to apply for funding under the NPLH program. One of the threshold requirements counties must meet to access funding under the NPLH program is to submit a plan specifying goals, strategies and activities both in process or to be initiated to reduce homelessness and make it nonrecurring.

The funding will be divided into a non-competitive allocation process (\$190 million) a competitive/alternative allocation process (\$1.8 billion). The proposal also includes \$6.2 million for the department to provide technical and application preparation assistance to counties based on size and allows up to five percent of funds to be used for state administrative costs.

In order to jumpstart the program, HCD will distribute \$200 million in initial “over the counter,” non-competitive, funding to finance construction, rehabilitation, or preservation, and to capitalize operating reserves, of permanent supportive housing. Funds will be made available to all counties within the state and are proportionate to the number of homeless persons residing within each county (2017 homeless Point-In-Time Count) with a minimum allocation per county of \$500,000. Funds not awarded within 18 months following the first allocation will revert to the competitive program.

For the competitive allocation process, counties will be grouped into four categories based on total population, within which they will compete for funding: Los Angeles County, large counties with a population greater than 750,000, medium counties with a population between 200,000 and 750,000, and small counties with a population less than 200,000. DHCD will distribute funding among the groupings based on a calculation that includes the number of homeless persons residing within each county and considers minimum funding levels necessary for a permanent supportive housing development. For the alternative allocation process DHCD may allocate funds directly to counties at least five percent of the state’s homeless population that demonstrate the capacity to directly administer program funds.

## **6) Homeless Emergency Aid Program (\$500 million)**

The California Fiscal Year 2018-2019 Budget includes a new [Homeless Emergency Aid Program \(HEAP\)](#) that is intended to assist local governments in addressing immediate homeless needs until additional resources become available. The program provides localities with crucial, flexible block grant funds to address their immediate homelessness challenges. This General Fund item will be administrated through the Homeless Coordinating and Financial Council (housed within the Business, Consumer Services, and Housing Agency). [Guidance documentation](#) pertinent to HEAP has been released and is available online.

The HEAP will provide \$500 million in one-time funding to enable local governments to respond to homelessness. The funds are available for encumbrance through mid-2021. Specific allocations of the funds are as follows:

- \$250 million to Continuums of Care based on 2017 homeless point in time count;
- \$150 million direct allocation to a city or city that is also a county with a population of 330,000 or more as of January 1, 2018; and
- \$100 million to Continuums of Care based on their percentage of the statewide 2017 homeless population.

Application maps and instructions for both [Continuums of Care](#) and [large cities](#) are available online through the Homeless Coordinating and Financial Council.

There are some basic requirements for the allocation of these block grants. The city, county, or counties acting jointly must declare an emergency shelter crisis (waiver process for smaller cities and counties that do not declare a shelter emergency). In addition, Continuum of Care must demonstrate collaboration with other city, county, or nonprofit partners. There are several eligible activities, including:

- Emergency housing vouchers,
- Rapid rehousing
- Emergency shelter construction, and
- Use of armories to provide temporary shelters, among other activities.

### **About the Author**

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### **About the Reentry Health Policy Project**

This brief is part of the Reentry Health Policy Project, which seeks to identify state and county level policies and practices that impede the delivery of effective health and behavioral health care services for formerly incarcerated individuals who are medically fragile (MF) and living with serious mental illness (SMI), as they return to the community. The report also offers specific recommendations and best practices for addressing these barriers. The Reentry Health Policy Project was managed by California Health Policy Strategies LLC with support provided by the California Health Care Foundation.

### **About California Health Policy Strategies (CalHPS), LLC.**

CalHPS is a mission-driven health policy consulting group based in Sacramento. For more information, visit [www.calhps.com](http://www.calhps.com).