APRIL 7, 2025

Overview of Proposition 1 and Assessment of Behavioral Health Continuum Infrastructure Program

PRESENTED TO: Assembly Budget Subcommittee No. 1 on Health
Hon. Dawn Addis, Chair

LEGISLATIVE ANALYST'S OFFICE

Proposition 1's Changes to How Counties Provide Services Using Millionaire's Tax

Allocation of Funding Categories[a] Under Proposition 63 (2004)		
Funding Category	**Examples of Types of Services/ Activities**	**Revenue Allocation**
Community Services and Supports	• Full-Service Partnerships • Outpatient Treatment • Crisis Intervention • Wellness Centers • Housing Services • Capital Facilities • Workforce and Training • Deposits Into Prudent Reserves	76 percent
Prevention and Early Intervention	• School-based Services • Outreach to Older Adults • Suicide Prevention	19 percent
Innovation Programs	• Technology Integration • Holistic Care	5 percent
Allocation of Funding Categories[a] Under Proposition 1 (2024)		
Funding Category	**Examples of Types of Services/ Activities**	**Revenue Allocation**
Housing Interventions	• Rental and Operating Subsidies • Family Housing for Children and Youth	30 percent
Full Service Partnership Services	• Wrap-Around Services • Assertive Community Treatment	35 percent
Behavioral Health Services and Supports	• Early Intervention • Outreach and Engagement • Outpatient Treatment • Wellness Centers • Capital Facilities	35 percent

[a] Refers to the allocation of millionaire's tax revenues distributed to counties across various specified funding categories.

Proposition 1's Changes to the Oversight and Accountability Commission

Commission Structure

Before Proposition 1. Prior to the voter approval of Proposition 1 in March 2024, the commission was established under Proposition 63 (2004). The commission consisted of 16 voting members, including four designated public officials (the Attorney General, the Superintendent of Public Instruction, a member of the Assembly, and a member of the Senate, or their designees) and twelve members appointed by the Governor. The Governor's appointees were required to include behavioral health professionals, individuals with lived experience in mental health issues, a county sheriff, a school district superintendent, representatives from a large and small business, and a representative of a health insurer. The commission was an independent entity and operated separately from the administration.

Under Proposition 1. The number of voting members in the commission increased to 27. In addition to the commission's previous members, Proposition 1 included 11 additional Governor appointments for individuals or family members of individuals experiencing mental health disorders and those experiencing substance use disorders; a labor organization representative, and representatives of advocacy organizations serving specified populations, including children and youth and veterans. The commission remains an independent entity that operates separately from the administration.

Proposition 1's Changes to the Oversight and Accountability Commission

(Continued)

Commission Roles and Responsibilities

Before Proposition 1. Counties were required to spend 19 percent of their total millionaire's tax allocation on prevention and early intervention services. The commission was responsible for rule making and priority setting for these services. Additionally, the commission provided technical assistance to counties on best practices for certain behavioral health treatment models, such as full-service partnerships. The commission also provided independent monitoring of how counties spent their allocations from the millionaire's tax, with data received from the Department of Health Care Services (DHCS).

Under Proposition 1. Prevention and Early Intervention is no longer a specific category of funding in the county allocation. Rather, under Proposition 1, the California Department of Public Health receives funding from the millionaire's tax to provide statewide prevention services and counties are required to spend half the funds allocated to them in the broadly focused Behavioral Health Services and Supports funding category for early intervention. The commission no longer provides rule-making or priority-setting services for spending on prevention and early intervention services. DHCS is now responsible for establishing guidance on spending for early intervention services. The commission still provides technical assistance and publishes on best practices for behavioral health services. The commission may still use data collected by DHCS to provide independent oversight of county behavioral health spending. Finally, as discussed below, the commission is now responsible for administering a new grant program for innovative programs.

Proposition 1's Changes to the Oversight and Accountability Commission

(Continued)

Funding for Innovative Programs

Before Proposition 1. Counties were required to spend five percent of their total millionaire's tax allocation on innovative programs for mental health services. This allocation ranged from $95 million to $166 million a year and counties would submit their plans for innovative projects to the commission for approval. Upon approval, counties would be able to use their allocation for the programs detailed in their plans.

Under Proposition 1. There is no longer a specific category of funding for innovative programs in the county allocation, but counties may use funding from any funding category for innovative programs. The commission is allocated $20 million annually from the millionaire's tax to provide grants to promote development of innovative behavioral health programs and practices. The commission is required to submit a report to the Legislature every three years, beginning on July 2030, on the grant program.

Background on Behavioral Health Continuum Infrastructure Program (BHCIP)

Provided $1.7 Billion in Grants in 2022 and 2023 to Build New Behavioral Health Infrastructure. BHCIP grants are being used to build a variety of new inpatient and outpatient capacity in mental health and SUD treatment facilities. BHCIP grants are available to cities, counties, tribes, nonprofits, and corporations. Funding was provided in five rounds, with nearly 90 percent of dollars awarded in three main competitive and themed rounds. For example, $471 million in funding was provided in Round 4, the focus of which was projects benefitting children and youth age 25 and younger and their families. The Department of Health Care Services (DHCS) estimates that BHCIP-funded facilities will offer inpatient treatment to more than 2,600 people at any time and outpatient treatment to over 280,000 people annually.

BHCIP Awards Made in Five Funding Rounds
(In Millions)

Round 1: Mobile Crisis Services[a]	$206
Round 2: County and Tribal Planning	7
Round 3: Launch Ready	522
Round 4: Children and Youth	471
Round 5: Crisis and Behavioral Health Continuum	445
Total[b]	**$1,651**

[a] Includes $56 million in federal grant funding that was in addition to state funding.
[b] Excludes $30 million that was to be distributed in a planned sixth round. Excludes $4.4 billion in general obligation bond authority provided by Proposition 1 (2024).

BHCIP = Behavioral Health Continuum Infrastructure Program.

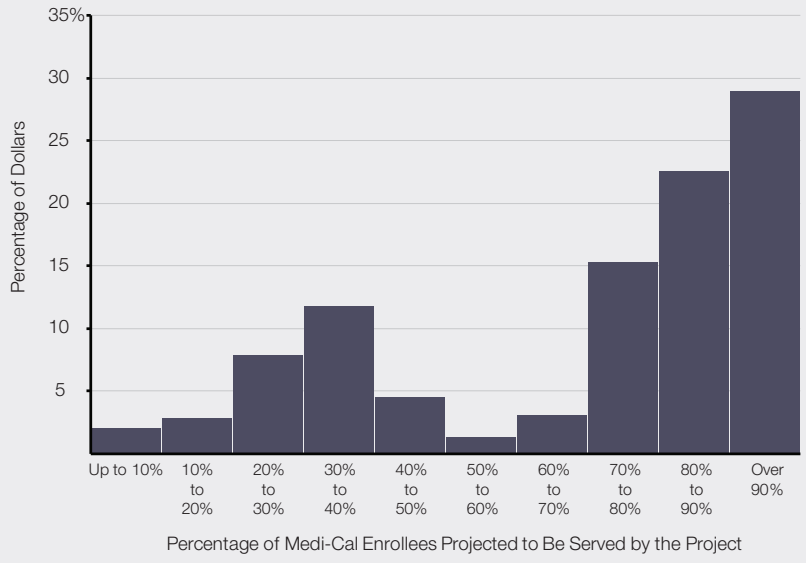
Proposition 1 Infuses BHCIP With Additional $4.4 Billion. Proposition 1, which authorized the state to sell $4.4 billion in general obligation bonds for BHCIP. This brings total funding for the program to over $6 billion. At least $1.5 billion of the Proposition 1 bond dollars must be allocated to local governments, including $30 million for tribes. DHCS is working quickly to implement the bond, with a goal to award up to the first $3.3 billion in May 2025 and a stated commitment to award all funding by 2026.

LAO Assessment of BHCIP Awards to Date

Who Is Benefitting From BHCIP?

Majority of Funding for Projects With Heavy Focus on Medi-Cal Population. Over half of BHCIP grant dollars have been awarded to projects estimated to serve at least 80 percent Medi-Cal enrollees. Given the state's direct responsibility for the Medi-Cal program, and that Medi-Cal enrollees are disproportionately affected by behavioral health challenges, it makes sense that the state would prioritize this population.

Over Half of BHCIP Awards for Projects Estimated to Serve at Least 80 Percent Medi-Cal Enrollees



BHCIP = Behavioral Health Continuum Infrastructure Program.

Challenging to Address Outcomes for Other Populations of Concern. DHCS has identified three populations of focus for whom "disparities and poor health outcomes for people of color are particularly prominent." At least $540 million of BHCIP grants have been awarded to projects serving children and youth and their families. In addition at least $80 million was awarded to tribal entities. The grant data we reviewed did not allow us to evaluate the extent to which projects are benefitting justice-involved individuals.

LAO Assessment of BHCIP Awards to Date

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Awards Could Be Better Aligned With Needs

Regional Funding Approach Potentially Reinforces Inequities in Behavioral Health Infrastructure. The state has limited data on capacity for most behavioral health facility types. In the absence of these data, we assessed the extent to which BHCIP grants were being awarded in the regions of greatest need, as measured by rates of serious mental illness, SUD, and opioid overdose deaths. We found that BHCIP awards could be better aligned with need. Furthermore, the approach used by DHCS to allocate funding regionally is based mostly on historical service provision. To the extent that there have been differences in access to behavioral health services due in part to relative differences in infrastructure capacity, the funding approach may be reinforcing historical inequities in infrastructure.

BHCIP Does Not Appear to Be Addressing Regional Inequities in Adult Inpatient Mental Health Bed Capacity. The state collects relatively good data on capacity for inpatient mental health beds. A 2022 RAND Corporation report assessed the extent of shortages for these beds, finding the shortages varied by region and level of acuity. Based on the RAND study and our review of BHCIP grant data, we found that most new capacity has been added in the four regions estimated by RAND to have the least need. In addition, no new capacity was added in the region estimated to have the greatest need—the southern San Joaquin Valley (consisting of Fresno, Inyo, Kern, Kings, and Tulare Counties).

LAO Assessment of BHCIP Awards to Date

(Continued)

BHCIP Not Working Well in All Small Counties

Despite DHCS' Efforts, Many Small Counties Largely Left Out of BHCIP. Twenty percent of awards in Rounds 3 through 5 were distributed at DHCS' discretion. DHCS made projects in small counties a priority with this discretionary funding. (This includes awards for both county- and provider-sponsored projects.) Most of this funding for projects in small counties, however, was concentrated in 11 small counties, with the remaining 19 small counties not receiving any funding in these grant rounds.

About Two-Thirds of Small Counties Left Out of BHCIP's Three Main Infrastructure Rounds

County	Awards	Per 10,000 Residents
Glenn	$17,278,529	$6,004,284
Calaveras	25,929,361	5,759,393
Tuolumne	13,940,073	2,557,812
Humboldt	30,209,240	2,251,615
Mendocino	17,079,947	1,892,997
Imperial	29,498,033	1,635,200
Madera	24,989,161	1,591,261
El Dorado	14,027,556	741,046
Nevada	6,149,363	608,366
Napa	8,085,736	596,452
Lake	2,000,000	295,871
Alpine	—	—
Amador	—	—
Del Norte	—	—
Inyo	—	—
Kings	—	—
Lassen	—	—
Mariposa	—	—
Modoc	—	—
Mono	—	—
Plumas	—	—
San Benito	—	—
Shasta	—	—
Sierra	—	—
Siskiyou	—	—
Sutter	—	—
Tehama	—	—
Trinity	—	—
Yuba	—	—
Total	**$189,186,999**	

BHCIP = Behavioral Health Continuum Infrastructure Program.

LAO Assessment of BHCIP Awards to Date

(Continued)

BHCIP May Not Be Working Well for All Grant Applicants

Some Program Requirements Seem Challenging, Especially for Small and Relatively Disadvantaged Applicants. Our review finds that some aspects of BHCIP can be challenging for certain applicants. For example, DHCS has scored projects higher the closer they are to being launch ready. Applicants must be able to dedicate a good deal of resources, staff, and time to present a relatively competitive project. Relatively small and disadvantaged applicants may struggle to compete in this environment. Moreover, the emphasis on awarding grant dollars as quickly as possible may be limiting BHCIP's ability to build the most complex and hardest-to-site projects for which BHCIP can have the greatest impact.