



Office of the City Manager

May 29, 2024

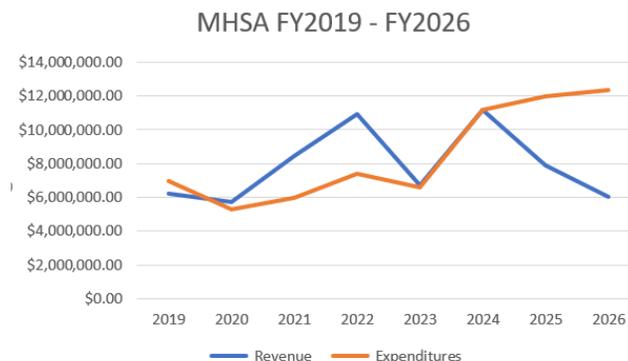
To: Honorable Mayor and Members of the City Council  
From: *Dee* Dee Williams-Ridley, City Manager  
Subject: Proposition 1, Behavioral Health Service Act

## Summary

The purpose of this memo is to provide a high-level executive summary of Proposition 1 and the impact on the services we provide. In 2023 Senate Bill 326 (SB326), the Modernization of the Mental Health Services Act (MHSA) and Assembly Bill 531, authorizing issuance of bonds were linked and signed by the Governor. In March 2024 they were presented to the voters and as one measure, Prop 1.

The main focus of Prop 1 is the reform of the Mental Health Service Act (MHSA) also known as “Prop 63 the millionaires’ tax”. Prop 63 was passed by CA voters in 2004. Currently Berkeley’s average annual budget of \$11 million dollars funds a critical array of services. It should be noted that this funding stream is highly volatile and is dependent on the economy (see Chart 1). This year to year volatility requires planned use of reserves to avoid sudden disruption to services in years tax revenue drops.

## Chart 1: Revenue and Expenditures from FY2019-FY2026



The projected delta between revenue and expenditures in 2026 assumes no changes or reductions. MHSA services include prevention, early intervention, treatment, training, family support, and consumer services in the clinics, schools and through community-based organizations. Berkeley also uses MHSA funding to provide enhanced services and supports not covered by Medi-Cal for seriously emotionally disturbed children and youth, for transition age youth, adults, and older adults suffering from severe mental illness. MHSA funds are also used to improve and increase services and supports for individuals and families from cultural and ethnic populations that are traditionally unserved in the mental health system. While there are small caveats, the MHSA requires very specific allocations to three main categories illustrated in Table 1 below.

**Table 1:**

Current MHSA Funding Allocation Requirements		Current Allocation:	\$11,256,233
Community Supports and Services	76%	CSS:	\$ 8,400,298
Treatment		PEI:	\$ 2,142,728
Prevention, Early Intervention	19%	INN:	\$ 534,334
Innovation Projects	5%		

Finally, MHSA currently requires significant levels of ongoing stakeholder input and involvement including a robust three-year community planning process and the appointment of a Mental Health Commission/Steering Committee.

### **Proposition 1 Behavioral Health Service Act**

In March 2024 the voters of California officially passed Proposition 1, now referred to as the Behavioral Health Service Act (BHSA). The BHSA reprioritizes homelessness and housing over prevention, and makes sweeping reforms to the allowable uses of Mental Health Service Act. Prop 1 will authorize bonds for certain housing priorities and will also changes how existing MHSA monies may be spent.

The BHSA also makes significant changes to the community planning process. Some examples include expanding the role of local mental health commissions to include substance use, changes public reporting of 1991 and 2011 Realignment reporting and requires that all funding sources including general fund be included in the three-year plan.

***It should be noted that while BHSA authorizes the issuance of bonds for housing, for individuals with behavioral health challenges, it makes no changes to the amount of MHSA money collected, just the required allocation categories and subcategories.*** Substance abuse treatment has been added as a new allowable use of MHSA however no new funds have been added to support this new service. In other words, if we provide substance abuse treatment using MHSA funds we must reduce current services. Finally, even though prevention has been eliminated as a local funding category, the California Department of Healthcare Services (DHCS) will be retaining an additional 5% of all BHSA funds for statewide prevention activities.

## Impact of New Allocation Requirements

**Table 2:**

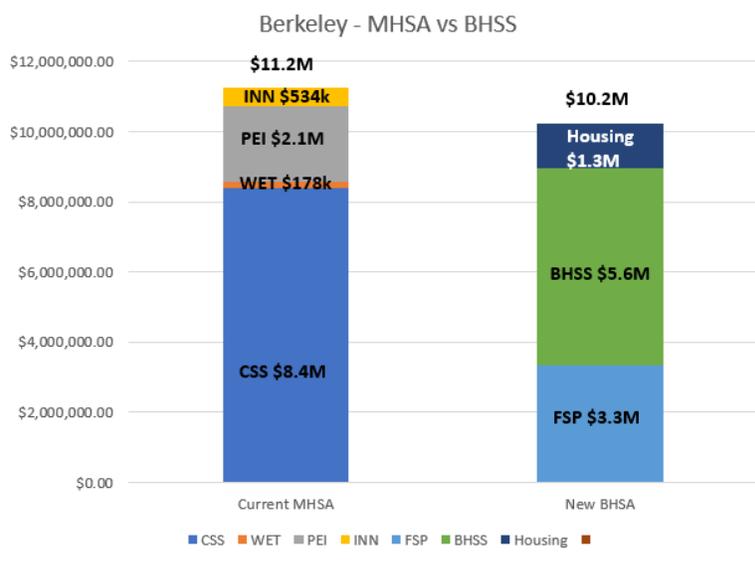
Current MSHA Funding Allocation Requirements		New BHSA Funding Allocation Requirements	
Community Supports and Services Treatment	76%	Behavioral Health Services and Supports	35%
Prevention, Early Intervention	19%	Full-Service Partnerships	35%
Innovation Projects	5%	Housing	30%

**Table 3:**

FSP 28%	BHSS 49%	Housing 23%	Total	
\$2,868,088	\$5,019,154	\$2,355,930	\$10,243,172	<b>New BHSA Funding Allocation</b>
\$3,332,127	\$5,609,811	\$1,301,234	\$10,243,172	<b>Allocation based on categorization of current programs</b>
-\$464,039	-\$590,656	\$1,054,695		<b>Difference</b>

The new BHSA Funding Allocation will require Full-Service Partnership expenditures to be **reduced by \$464k**, Behavioral Health Supports and Services to be **reduced by \$590k**, and Housing Services to be **increased by \$1.05M**. The reason for the reduction in total funds below is that the state will remove funds from the total allocation: 5% to fund state projects and 4% to fund new required administrative duties to support the implementation of BHSS.

**Chart 1:** FY25 Proposed Budget Update from Table 3 and Allocation based on categorization of current programs from Table 4



## **General Obligation Bonds**

The BHSA also authorized \$6.38 billion in general obligation bonds for the construction of a for a variety of supportive housing options for individuals with mental illness, substance use issues and Veterans. Guidance of how the bond proceeds will be distributed accessed will not be issued until July 2025. Staff will be actively engaged in state level stakeholder processes and will keeping local stakeholders informed of key developments and policy decisions that are being debated. At this time, there is no information available on how bond funds will be distributed.

It's important to acknowledge such a large shift in our behavioral health care system will take time and key pieces of the BHSA will be phased in over the next three years (see timeline below). There is still significant guidance needed from the Department of Health Care Services (DHCS) regarding key definitions and scope (what does it mean in practical terms and what is covered or not) in areas like housing and new early intervention services. In addition, the state will be developing new statewide metrics, and has pre-approval authority for all housing capital projects.

## **Timeline/Key Dates**

July 1, 2025 – California Depts of Housing and Community Development & Health Care Services issue guidance regarding how the housing bond proceeds will be distributed  
July 1, 2026 - New funding allocations become operative  
July 1, 2026 - New county integrated planning requirements become operative

Even though implementation does not begin until July 2026 and there are many outstanding issues to be resolved, HHCS is actively planning how to best implement the sweeping changes the BHSA will require. This will include ample stakeholder involvement in determining how the new funding requirements will be implemented locally. This process will begin later this year (2024) continuing into 2025.

cc: LaTanya Bellow, Deputy City Manager  
Anne Cardwell, Deputy City Manager  
Scott Gilman, Interim Director, Health, Housing, and Community Services  
Matthai Chakko, Communications Director/Assistant to the City Manager  
Mark Numainville, City Clerk  
Jenny Wong, City Auditor  
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