

# YES ON PROP 2

## No Place Like Home

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### Key Questions and Answers for Advocates

#### **What is Proposition 2?**

Proposition 2 will build permanent supportive housing, linked to treatment and services, for people with serious mental illness who are homeless or at risk of chronic homelessness by authorizing up to \$2 billion in bond sales. By passing the measure, voters would ratify landmark legislation, known as “No Place Like Home,” that was passed with strong bipartisan support and signed into law in 2016, but which since has been caught up in a court validation action.

#### **Why do we need Proposition 2?**

California is suffering a homeless epidemic that is straining public services across the state. Research tells us about a third of Californians living on the streets have an untreated mental illness, often in combination with a substance use disorder.

As of last year, California had 25 percent of the nation’s homeless population. It is a public health crisis that is taking a costly toll on our hospitals and emergency rooms, our jails and court systems, as well as businesses and homeowners. It’s also killing people: In Los Angeles County alone last year, more than 800 people died living on the streets.

And yet we have successful treatment models for getting people off the streets, into care and back on track. We know what works: intensive, wraparound services closely linked with stable, supportive housing. But throughout much of the state, housing is the missing piece of the puzzle. We lack the supportive housing required for the treatment to be successful. Passage of Prop. 2 will address this need, even as counties continue to infuse significant funding into the full spectrum of mental health treatment and services.

#### **Who is the target population to be served?**

Prop. 2 will help adults with serious mental illness and children with severe emotional disorders and their families who are homeless, chronically homeless, or at risk of chronic homelessness.

#### **Why use bonds to finance permanent supportive housing construction?**

Prop. 2 follows the same rationale that people use when they take out a mortgage to buy a house: Rather than paying the whole cost up front, you borrow money to acquire a major asset and pay it back over time. In this case, the use of bonds will allow California to immediately infuse significant resources into permanent supportive housing with the goal of getting a substantial number of people with mental illness off the streets now and into a pipeline of stability.

In addition, this financing model allows counties to make a long-term financial commitment. That's far more difficult in the typical county budgeting process, in which mental health spending is mapped out in three-year spurts.

### **How would the bond financing work?**

The state would finance the bonds under Prop. 2 by leveraging revenue generated by the Mental Health Services Act. That is the millionaire's tax championed by now Sacramento Mayor Darrell Steinberg and passed by voters in 2004, that generates more than \$2.2 billion a year to strengthen mental health services in California.

The bonds would be sold through the California Health Facilities Financing Authority in the state Treasurer's office. The bonds would not be sold all at once. They would be sold over a period of years, as counties moved forward with projects and were ready to access the financing. The bond proceeds then would be transferred to the Department of Housing and Community Development, which would issue Notices of Funding Availability to finance new permanent supportive housing.

The bonds would be repaid with interest over about 30 years by drawing a small percentage of MHSA funds. By law, the state could draw no more than \$140 million a year from MHSA – and because the bonds would be sold over time, the draw would generally be far less. The state Department of Finance estimates that the average draw on MHSA funds would be \$120 million a year over about 30 years. That equates to about 6% of the annual funding counties currently receive from the MHSA, and that percentage would shrink as MHSA revenues continue to grow.

### **Who supports Proposition 2?**

Prop. 2 has broad support from medical professionals, mental health advocates, public safety officials, affordable housing advocates and more.

No Place Like Home was originally conceived by Sacramento Mayor Steinberg as a natural evolution of the Mental Health Services Act and a recognition of the need to scale up statewide a proven model of treatment for a singularly vulnerable population: adults and children living on the streets with a serious mental illness.

The supporters for Prop. 2 include: National Alliance of Mental Illness California (NAMI CA); Mental Health America of California (MHAC); Mayor Darrell Steinberg; the Steinberg Institute; League of California Cities; California State Association of Counties; Dignity Health; Kaiser Permanente; California Association of Veteran Service Agencies; the League of Women Voters of California; National Association of Social Workers - California Chapter; Bay Area Council; California Chapter of American College of Emergency Physicians; California Police Chiefs Association; California Primary Care Association; California Professional Firefighters; California Democratic Party; City & County of Los Angeles; and St. Joseph Center.

## **Could all California counties take part?**

Yes. No Place Like Home is structured so that all counties have access to funding for permanent supportive housing, as well as technical assistance grants to help people with serious mental illness who are homeless or at risk of chronic homelessness.

The Department of Housing and Community Development is overseeing the program, which is divided into two types of awards: \$190 million in non-competitive funds and up to \$1.8 billion in competitive funds.

All counties that apply for non-competitive funds are guaranteed to receive a minimum of \$500,000. That funding rises in relation to the size of the county's homeless population. Counties applying for the competitive funds compete only against counties of similar size.

In addition, the state already has awarded approximately \$6 million in technical assistance grants to help counties navigate the planning and preparation process. At this point, every county in the state has applied for – and been awarded – a planning grant. HCD leaders are holding briefings across the state to guide counties through the planning process in anticipation that No Place Like Home will ultimately take effect.

## **What kinds of supportive housing projects would be financed by Proposition 2?**

Prop. 2 will be used for permanent supportive housing – an approach to housing that has proven extremely successful in breaking the cycle of homelessness, hospitalization and incarceration that often derails people living with untreated mental illness. Counties must commit up front to making the mental health services available to people living in No Place Like Home-funded apartments for at least 20 years. Revenue from the bond sales would go toward creating housing. Counties would use existing MHSA funds to provide the wraparound services.

The projects must use a “Housing First” strategy, meaning residents get immediate access to safe, stable housing, without having to meet certain milestones in terms of treatment, sobriety or transitional housing. The housing would be integrated with intensive treatment and services, either on-site or nearby. Participation in those services is voluntary.

Among the services that must be offered: mental health care, addiction treatment, peer support, physical health care, benefits counseling, and life skills training. In addition, counties are strongly encouraged to offer assistance with education and employment.

## **Why is the Housing First model needed?**

Because multiple studies have shown that the Housing First model is effective at moving people with mental illness out of homelessness and improving their quality of life. These same studies have consistently found that the approach saves money by reducing emergency room visits, hospitalizations, incarceration and crisis care. A recent RAND analysis of permanent supportive housing efforts in Los Angeles County found the approach cut county costs by 20 percent!

Following the passage and signing into law of Senate Bill 1380 (Mitchell) in 2016, Housing First is also now the adopted model for all state agencies that finance housing programs for people who are homeless or at risk of homelessness. Neither Proposition 2 nor SB 1380 preclude counties from also

investing in other types of housing and treatment for people whose serious mental illness requires a different level of care.

### **Some people say Proposition 2 would take money away from mental health services. Is that true?**

Prop. 2 gives local communities a road map – and financial incentive -- to invest resources in addressing the state’s homelessness crisis with a proven model of care.

The state would invest a small percentage of annual MHSA revenue – no more than \$140 million a year and far less than that on average – to service the bond debt. The funding awarded to counties both through the non-competitive and competitive process will leverage substantial revenue for housing – the missing piece of the care model for helping people with a serious mental illness who are living on the streets. And that housing will make the mental health services that counties are providing far more effective.

### **Why has the No Place Like Home law been on hold?**

After No Place Like Home was signed into law, the state filed a bond validation action, which is typical to ratify issuance of large bond sales. Unfortunately, at the same time, a Sacramento attorney filed a lawsuit challenging whether the overall program constituted a valid use of Mental Health Services Act funds. The two cases were consolidated, but years have passed as they wind their way through the legal system. Currently, the case is in Sacramento Superior Court.

Gov. Jerry Brown, the Legislature and an array of advocates decided the best way to address this delay was to put No Place Like Home on the November ballot, so voters could express their intent that the measure is consistent with the purposes of the MHSA.

### **If Proposition 2 passes, is the court case moot?**

Proposition 2 would address one of the major issues raised in the lawsuit, by validating that California voters agree that No Place Like Home furthers the intent of the MHSA. A judge would still have to issue a formal ruling in the case, but a “yes” vote on Proposition 2 would provide key clarification and narrow the grounds for any appeal.

### **Is there opposition to Proposition 2?**

Prop. 2 has garnered robust support throughout California’s mental health community, as well as among law enforcement and medical providers. A small group of detractors has expressed objections, arguing that the measure would fund permanent supportive housing and treatment rather than more institutionalized care, and that counties could do this without the bond sales.

To the first point: The permanent supportive housing model envisioned in No Place Like Home has the proven potential to help tens of thousands of homeless Californians with a serious mental illness. It is true that it would not provide housing for the subgroup of people in need of institutionalized or involuntary care. But it in no way prevents counties from investing resources into that type of care. Most Prop. 2 proponents are supportive of both approaches. They are not mutually exclusive.

As to whether counties have adequate resources to do this on their own: No. The magnitude of the investment envisioned under No Place Like Home could not be done county by county, in three-year planning spurts.

**Aren't counties sitting on mental health money and not spending it to help homeless people?**

In recent years, counties have spent billions of dollars to provide crisis care for people living homeless with serious mental illness. It is also true that some counties have unspent mental health reserves – not for lack of demand for more services but because they have struggled with confusing state guidelines or needed more guidance on how to most effectively spend those funds. State leaders are working to address both issues.

A recent State Audit found counties had amassed \$231 million in MHSA funds that should have reverted to the state because they were not spent in the timeline laid out by statute. In addition, the auditors found that the state had failed to guide counties in how much to hold as a “prudent” reserve for mental health spending, resulting in excessive unspent funds of as much as \$274 million.

To the first pot of money: The vast majority of the \$231 million that should have reverted to the state was revenue that must be used for prevention and early intervention (PEI) services that aim to intervene in mental illness in the very earliest stages, before an illness has progressed and become disabling. The state has since re-set the clock for counties and is providing more clarity and guidance in how they can most effectively spend their PEI funds. But those services are not geared toward the seriously ill population targeted by Proposition 2.

As to reserves: Proposition 2 is both a guidepost and incentive for counties to spend excess reserves and invest in the wraparound services required for permanent supportive housing. Remember, revenue from the bond sales would go toward creating housing; counties would draw on existing MHSA funds to provide the wraparound services.

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