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An act to amend Section 5849.35 of the Welfare and Institutions Code,
relating to mental health services.



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 5849.35 of the Welfare and Institutions Code is amended to read:

5849.35. (a) The authority may do all of the following:

(1) Consult with the commission and the State Department of Health Care Services concerning the implementation of the No Place Like Home Program, including the review of annual reports provided to the authority by the department pursuant to Section 5849.11.

(2) Enter into one or more contracts with the department for the department to provide, and the authority to pay the department for providing, services described in Sections 5849.7, 5849.8, and 5849.9, related to permanent supportive housing for the target population. ~~Prior to~~ Before entering into any contract pursuant to this paragraph, the executive director of the authority shall transmit to the commission a copy of the contract in substantially final form. The contract shall be deemed approved by the commission unless it acts within 10 days to disapprove the contract.

(3) On or before June 15 and December 15 of each year, the authority shall certify to the Controller the amounts the authority is required to pay as provided in Section 5890 for the following ~~six-month~~ six-month period to the department pursuant to any service contract entered into pursuant to paragraph (2).

(b) The department may do all of the following:

(1) Enter into one or more contracts with the authority to provide services described in Sections 5849.7, 5849.8, and 5849.9, related to permanent supportive housing for the target population. Payments received by the department under any



service contract authorized by this paragraph shall be used, ~~prior to~~ before any other allocation or distribution, to repay loans from the authority pursuant to Section 15463 of the Government Code.

(2) Enter into one or more loan agreements with the authority as security for the repayment of the revenue bonds issued by the authority pursuant to Section 15463 of the Government Code. The department shall deposit the proceeds of these loans, excluding any refinancing loans to redeem, refund, or retire bonds, into the fund. The department's obligations to make payments under these loan agreements shall be limited obligations payable solely from amounts received pursuant to its service contracts with the authority.

(3) The department may pledge and assign its right to receive all or a portion of the payments under the service contracts entered into pursuant to paragraph (1) directly to the authority or its bond trustee for the payment of principal, premiums, if any, and interest under any loan agreement authorized by paragraph (2).

(c) The Legislature hereby finds and declares both of the following:

(1) The consideration to be paid by the authority to the department for the services provided pursuant to the contracts authorized by paragraph (2) of subdivision (a) and paragraph (1) of subdivision (b) is fair and reasonable and in the public interest.

(2) The service contracts and payments made by the authority to the department pursuant to a service contract authorized by paragraph (2) of subdivision (a) and paragraph (1) of subdivision (b) and the loan agreements and loan repayments made by the department to the authority pursuant to a loan agreement authorized by paragraph



(2) of subdivision (b) shall not constitute a debt or liability, or a pledge of the faith and credit, of the state or any political subdivision.

(d) The state hereby covenants with the holders from time to time of any bonds issued by the authority pursuant to Section 15463 of the Government Code that it will not alter, amend, or restrict the provisions of this section, subdivision (f) of Section 5890, ~~or~~ subdivision (b) of Section ~~5891~~ 5891, Section 19602.5 of the Revenue and Taxation Code, or any other provision requiring the deposit of the revenues derived from the additional tax imposed under Section 17043 of the Revenue and Taxation Code into the Mental Health Services Fund in any manner adverse to the interests of those bondholders so long as any of those bonds remain outstanding. The authority may include this covenant in the resolution, indenture, or other documents governing the bonds.

(e) Agreements under this section are not subject to, and need not comply with, the requirements of any other law applicable to the execution of those agreements, including, but not limited to, the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code).

(f) ~~Part Chapter 2~~ (commencing with Section 10290) of Part 2 of Division 2 of the Public Contract Code shall not apply to any contract entered into between the authority and the department under this section.



LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, _____.

General Subject: No Place Like Home Program: financing.

Existing law, known as the No Place Like Home Program (program), requires the Department of Housing and Community Development to award \$2,000,000,000 through a competitive program among counties to finance capital costs, including, but not limited to, acquisition, design, construction, rehabilitation, or preservation, and to capitalize operating reserves, of permanent supportive housing for the target population of individuals or households who are homeless, chronically homeless, or at risk of chronic homelessness.

Existing law authorizes the California Health Facilities Financing Authority and the department to, among other things, enter into contracts to provide services pursuant to the program related to permanent supportive housing. Existing law authorizes the authority to issue taxable or tax-exempt revenue bonds in an amount not to exceed \$2,000,000,000 for these purposes and to make secured or unsecured loans to the



department in connection with financing permanent supportive housing pursuant to the program.

The Mental Health Services Act (MHSA), an initiative measure enacted by the voters as Proposition 63 at the November 2, 2004, statewide general election, imposes a 1% tax on that portion of a taxpayer's taxable income that exceeds \$1,000,000 and requires that the revenue from that tax be deposited in the Mental Health Services Fund to fund various county mental health programs. Existing law establishes the Supportive Housing Program Subaccount in the Mental Health Services Fund, which is continuously appropriated to the authority to provide funds to meet its financial obligations to any of the above-described service contracts.

Under existing law, the state covenants, as specified, with the holders of any of the above-described bonds issued by the authority that it will not alter, amend, or restrict the above provisions relating to the subaccount, among other provisions, in any manner adverse to the interests of those bondholders so long as any of those bonds remain outstanding.

This bill would additionally require the state to covenant with the above-described bondholders that it will not alter, amend, or restrict provisions requiring the deposit of the revenues derived from the additional tax imposed under the MHSA into the Mental Health Services Fund in any manner adverse to the interests of those bondholders, as specified.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

