

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (CHFFA)

Requests to Change Project Scopes/Descriptions for Grant Programs

Information Item

August 27, 2020

Background: CHFFA has provided grant funding to a variety of grantees (including counties or their designees and eligible health facilities) for a variety of programs (Investment in Mental Health Wellness Grant Programs, Community Services Infrastructure Grant Program, Children's Hospital Programs, and Lifeline Grant Program). Generally, the regulations implementing these programs require that the grantee continue to use/operate the grant-funded project (following the project description in the grant agreement) for the useful life of the project. If for some reason this requirement is not fulfilled, the grantee would be considered in default, and the Authority has the right to recover grant funds. The details of the right of recovery depend on the program in question. For example:

- The Lifeline Grant Program requires the forfeiture and return of grant funds if not used in a manner consistent with the Act.
- The Investment in Mental Health Wellness Grant Programs allow the recovery of grant funds upon the termination of a lease agreement for projects constructed or renovated on leased property if this termination occurs before the end of the useful life of the project. They also allow the Authority to seek the forfeiture of grant funds if it is found that the Grantee failed to perform any term or condition of the grant agreement, regulations, or any other grant document and that the funds were not used in a manner inconsistent with the Act.
- The Community Services Infrastructure Grant Program has the same lease and inconsistent use forfeiture remedies.
- Finally, besides the above forfeiture remedies, the Children's Hospital Grant Programs also require that if part of the project funded with grant funds ceases to be used by the grantee prior to the end of the useful life of the project, then the Authority is entitled to recover the grant funds in a ratio proportionate to the value of the entire project.

Past Actions: Under the Investment in Mental Health Wellness Grant Program (IMHWGP) that was enacted in 2013 and after five funding rounds, only \$136.5 million was awarded out of the \$142.5 million in available funding before the award deadline set by the Legislature. After the June 30, 2016, the remaining funds reverted back to the General Fund without being spent on improving/expanding mental health crisis services statewide, which was the statutory intent of the IMHWGP.

Staff received and assessed several deadline extension requests under the IMHWGP due to numerous challenges, which included but were not limited to, challenges in acquiring property, complications with permitting, and local opposition. As a result the Authority added milestone

deadlines that had to be met for extensions to be granted, which grantees were required to meet in order to avoid losing their grants. The milestone deadlines were tailored to each individual project and included stipulations, such as dates for the start of construction, entering into escrow for property, and/or the program to be operational. Authority staff continues to track grantees' compliance with milestones and recommends extensions when warranted. Also due to the institution of milestone deadlines, staff presents a quarterly milestone report to the board to keep the board apprised of the progress of grantees meeting their milestone deadlines.

Additionally, staff received and assessed several requests for project changes under the IMHWGP due to numerous challenges in implementing the awarded projects. Staff requested updates to the information provided in the application relating to the request and made recommendations to the board, when staff was comfortable that the project change met the intent of the statute, met the program regulations, would have scored appropriately to be awarded, was feasible and sustainable, and would have originally been approved had the change been submitted in the original application.

Forfeitures

Staff has made recommendations to counties to forfeit their grant awards without going before the board when staff was not comfortable making a recommendation to the board because requests did not meet the intent/requirements of the statute or regulations, or counties forfeited themselves because they were not confident they could meet CHFFA's program requirements. Staff also has reduced the amount disbursed to counties without needing to go before the board when it was discovered that the grantees requested funds for ineligible uses or when the use of the facility was not entirely dedicated to the program and target population allowed in statute and regulations.

Reasons for the forfeiture of entire grant awards include, but are not limited to, inability to comply with the Authority's program regulations, local opposition, and inability to secure a site or funding to operate the programs. A total of nine totaling approximately \$8.6 million projects were entirely forfeited in the IMHWGP. This \$8.6 million was reappropriated by the Legislature to the IMHWGP for Children and Youth to fund future grant projects; otherwise, they would have reverted to the General Fund (See chart below).

Funding Round	County	Program Type	Beds Open/ Approved	Amount Forfeited	Reason(s) for Forfeiture
3	Kings	CRT	0/8	\$ 995,903.84	County changed focus from crisis residential to outpatient mental health services.
5	Alameda	CSU	0/16	\$ 1,394,972.62	County was unable to secure funding to operate the program for the life of the project.
5	Alameda	CRT	0/16	\$ 1,082,077.06	County did not begin renovations on the CRT by November 30, 2018 and was therefore unable to cure the default. The funding for the project was forfeited.

Funding Round	County	Program Type	Beds Open/ Approved	Amount Forfeited	Reason(s) for Forfeiture
5	Napa	CRT	0/4	\$ 2,152,701.00	County was unable to secure a site.
5	Santa Cruz	CSU	3/3	\$ 124,768.00	County decided to fund the project with County resources, preferring to exempt the project from CHFFA's grant regulatory requirements.
5	Shasta	CSU	0/4	\$ 565,098.26	County had difficulty in securing a stable source of operating funds.
PR	Santa Cruz	PRC	0/2	\$ 1,126,828.00	County and service provider (Encompass) forfeited the grant funds. The \$1,055,775.52 grant disbursement for the purchase of property was returned to CHFFA in October 2018. The remaining \$71,052.48 that was not disbursed also was forfeited.
PR	Alameda	PRC	0/6	\$ 373,172.00	County decided to fund the project with County resources, preferring to exempt the project from CHFFA's grant regulatory requirements.
PR	Sonoma	PRC	0/6	\$ 750,000.00	County forfeited the grant as the project no longer fell within the county's need priorities.
Total			3/65	\$ 8,565,521.32	

Additional Capacity

Additionally, in the past, five counties ended up delivering more capacity than required with IMHWGP grants. They did not have to go before the board, but were reported in the annual report to the Legislature that is shared with the board (See chart below).

Funding Round	County	Program Type	Expected/ Required Beds	Operational Beds	Award Amount
1	San Diego	CRT	14	15	\$ 3,688,468
4	Napa	CSU	4	8	\$ 1,998,183.38
5	San Bernardino	CRT	10	16	\$ 4,605,681
5	Santa Barbara	CRT	6	10	\$ 1,100,000
PR	Trinity	PR	4	6	\$ 750,000

Cost Effectiveness

In the enacting statute for the IMHWGP, the Legislature had set a goal of a specific number of beds and mobile crisis teams to be added, as well as mentioned the need for cost-effective care, to encourage a level of commitment from counties. The statute was drafted using the best assumptions and available information (costs of land, remodeling costs, type of facility - there

was no set model of what works) that the Legislature staff had at the time of drafting the statutory language, since this was a new program model funded for the first time by the state in 2013. The initial goal was for counties to leverage funding in order to receive an award. Once the first funding round was reviewed, and hardly any counties were found to be leveraging any funding at all for their projects, conversations with the Legislature ensued about the goal and cost effectiveness of the program. It was determined that leveraging and cost effectiveness was just a goal, and it was not a requirement that needed to be met. Additionally, there were a number of surveys conducted over the course of the program that revealed that funding to operate the programs for the long-run, let alone finding leveraged funding to build a facility was always a challenge.

At the time the awards were made, the Authority had to balance between cost-effectiveness/meeting the bed and team count goals or making awards to meet the intent of expanding access to care and begin providing much needed services in the community prior to the funds reverting to the General Fund.

Over five funding rounds, the Authority made a total of 56 grant awards for 69 capital projects, of which nine forfeited their entire grant award. The cost per bed varied depending on the type of project/program, the resources available, and cost of resources in each county. Costs per bed ranged from a low of \$50,000 for a renovation/expansion of an old building facility to a high of \$526,000 to a new building being constructed on county-owned land. The average cost per bed in the program was about \$288,000.

When counties requested to change the scope size, they were compared to the cost per bed granted to other counties, and staff determined whether the amended project scope's cost per bed was within the range granted to other counties before making a recommendation to the board.

However, the Community Services Infrastructure (CSI) Grant Program did not mention numeric goals nor cost-effectiveness. In preliminary conversations with the staffers who drafted the language, we were told that the CSI program was a newly funded concept dedicated to increasing jail and prison diversion services to those who are justice-involved without a focus on cost because of the variety of different programs that could meet this intent but could cost significantly different.

Requests:

CHFFA has received a number of requests from counties for relief from the requirement to continue to operate a project at the approved capacity for the useful life of the project, particularly requesting amendments to their project descriptions as laid out in the grant agreements. The five most recent requests are listed below:

- **February 22, 2018 – (Approved by Board)** Los Angeles County Investment in Mental Health Wellness Grant Program - \$40.3 million retained by County with a resulting 21 program/358 bed/58,730 annual encounter reduction.

- **December 5, 2019 – (Approved by Board)** Trinity County Peer Respite Care Grant Program - \$750,000 retained by County with a resulting reduction in the promised 24 hour a day/7 day a week schedule. Authority approved a change to the project description to delete 24 hours a day/7 days a week/1,460 beds a year/104 guests a year.
- **January 30, 2020 – (Approved by Board)** Mendocino County Investment in Mental Health Wellness Grant Program – \$500,000 retained by County with a resulting reduction in the promised number of Crisis Residential Treatment beds from ten to a range of 6-8 beds due to a change in need in one particular area in order to spread more beds to other facilities across the County.
- **June 25, 2020 – (Pending)** Sonoma County Investment in Mental Health Wellness Grant Program – County requested to retain the grant funds awarded (\$2 million) while reducing the promised number of beds from 18 to four. No action taken on this request. Staff to agendize an Informational Item at a future board meeting.
- **July 30, 2020 – (Pending)** Los Angeles County Office of Diversion and Reentry Community Services Infrastructure Grant Program – County requested to retain the grant funds awarded (total of \$11.3 million over two rounds) but reduce the bed count/annual population served by 64/349, respectively. No action taken on this request. Staff to agendize another Informational Item at a future board meeting.

Future Requests

Both the California Behavioral Health Directors Association and the California State Association of Counties believe that, because of COVID-19 and the resulting effect on county budgets, other counties will undoubtedly come before the board to request changes to their approved project scopes/descriptions.

Procedures for Addressing Future Requests for Project Description Changes:

The below steps will be taken when Authority staff receives a request:

1. Present an Information Item to the board to request preliminary thoughts and direction prior to staff working on the request, so the board is aware of the issue.
2. If applicable, Grantee must provide proof of budget cuts and must specifically detail how these cuts were allocated among all county programs, including the CHFFA-funded program.
3. Grantee must provide the report that was presented to the Board of Supervisors that looks at all of the potential courses of action that grantee could take besides just the one presented to staff. The report should include the following:
 - a. The other county programs that would be affected and how these programs would be affected by continuing to fund the CHFFA project at the promised bed capacity.
 - b. A list of solutions that consider a reduction in Authority approved capacity along with a prorated grant award (from a reduction to complete forfeiture of the grant) and their effects on the county operationally and on meeting the need for services in the county, including the annual number of clients that would no longer be served.
 - c. A report/study on the updated need for services in the county.

4. Grantee must submit updated information that is required in the grant application for the new/amended project.
5. CHFFA staff will evaluate (and present before the grant committee, including the program's technical advisor) the new information submitted and determine if it meets the intent of the statute, meets the regulations/program requirements, is feasible and sustainable, and will score it as if it were a new application.
6. Staff will assess whether it would have awarded the applicant originally had it submitted the new/amended project information and make a recommendation based on that determination.