



# COUNTY OF SAN DIEGO

## AGENDA ITEM

### BOARD OF SUPERVISORS

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**DATE:** June 3, 2025

**05**

**TO:** Board of Supervisors

### SUBJECT

### **AUTHORIZE ACCEPTANCE OF BOND BEHAVIORAL HEALTH CONTINUUM INFRASTRUCTURE PROGRAM GRANT FUNDS (DISTRICTS: ALL)**

#### **OVERVIEW**

In March 2024, California voters passed Proposition 1 that includes the Behavioral Health Services Act and the Behavioral Health Infrastructure Bond Act of 2023. This legislation authorized \$6.38 billion in general obligation bonds to expand behavioral health treatment, residential care settings, and housing to support people with mental health conditions and substance use disorders. Funds from the bonds were allocated to competitive grants for facilities that provide behavioral health treatment and residential settings, including tribal entities and serving individuals who are homeless or at risk of homelessness with behavioral health needs.

In July 2024, the California Department of Health Care Services (DHCS) released a request for applications for the Bond Behavioral Health Continuum Infrastructure Program (Bond BHCIP) that provided \$4.4 billion in competitive grant funds to counties, cities, tribal entities, nonprofit, and for-profit entities, for behavioral health capital infrastructure. The County of San Diego (County) Health and Human Services Agency, Behavioral Health Services (BHS) applied for the Bond BHCIP funds. Subsequently, on May 6, 2025, BHS received a notice of a conditional grant award, totaling \$29.8 million of funding, with \$21.9 million for the Substance Use Residential and Treatment Services (SURTS) facility and \$7.9 million for the new Children's Crisis Residential Care facility.

Today's action requests the San Diego County Board of Supervisors authorize the acceptance of \$29.8 million in one-time grant funds from the DHCS for capital infrastructure at the SURTS facility and the new Children's Crisis Residential Care facility and to waive Board Policy B-29, Fees, Grants, Revenue Contracts – Department Responsibility for Cost Recovery, which requires full-cost recovery for grants

Today's action supports the County vision of a just, sustainable, and resilient future for all, specifically those communities and populations in San Diego County that have been historically left behind, as well as our ongoing commitment to the regional *Live Well San Diego* vision of

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healthy, safe, and thriving communities. This will be accomplished by further strengthening the continuum of behavioral health services in San Diego County.

**RECOMMENDATION(S)**

**CHIEF ADMINISTRATIVE OFFICER**

1. Authorize the acceptance of Bond Behavioral Health Continuum Infrastructure Program (Bond BHCIP) grant funding of up to \$29.8 million from the California Department of Health Care Services (DHCS) for Fiscal Years 2025-26 through 2029-30, for capital infrastructure at the Substance Use Residential and Treatment Services facility and the new Children's Crisis Residential Care facility; and authorize the Deputy Chief Administrative Officer, Health and Human Services Agency, or designee, to execute all required documents, upon receipt, including any annual extensions, amendments, or revisions that do not materially impact or alter the services or funding level.
2. Waive Board Policy B-29, Fees, Grants, Revenue Contracts – Department Responsibility for Cost Recovery, which requires full cost recovery for grants.

**EQUITY IMPACT STATEMENT**

The County of San Diego Health and Human Services Agency, Behavioral Health Services (BHS) functions as the specialty mental health plan for Medi-Cal eligible residents with serious mental illness, and the service delivery system for Medi-Cal eligible residents with substance use disorder care needs within San Diego County. As a regional steward of public health, BHS must ensure services address social determinants of health by being accessible, capable of meeting the needs of a diverse population, and equitably distributed to those most in need. BHS utilizes a population health approach, evidence-based practices, robust data analysis, and input from consumers, community-based providers, healthcare organizations, and other stakeholders to identify community needs and design services that are impactful, equitable, and yield meaningful outcomes for clients. BHS conducts ongoing engagement activities, such as community outreach, focus groups, listening sessions, and key informant interviews, to ensure community input remains central to priorities and planning activities.

Establishing additional dedicated behavioral health infrastructure to support people with mental health and substance use needs who are Medi-Cal eligible will yield positive outcomes for some of the most vulnerable residents in San Diego County. This will be accomplished through the creation of the Substance Use Residential and Treatment Services (SURTS) facility and the Children's Crisis Residential Care facility. These capital projects will enhance access to behavioral health care across the region for adults in need of residential substance use services and children in need of behavioral health crisis services.

According to the 2023 National Survey on Drug Use and Health, 95.5% of people aged 12 and older with a substance use disorder did not receive substance use treatment in the past year. The SURTS facility will help meet the unmet and rising need for residential treatment options. In addition, the development of the new Children's Crisis Residential Care facility establishes a new resource for youth up to 18 years of age not currently in place within the local behavioral health care continuum. This facility serves as an alternative to hospitalization and is an essential level of care for the treatment of children and youth with serious emotional disturbances in mental health

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crisis. Children and youth in mental health crisis often face long wait times for a hospital bed and are often transported, without a parent, to a facility far from home to access necessary treatment services. Locating placements for youth with high acuity mental health needs continues to be a challenge as they frequently move between congregate care settings, hospitals, and detention facilities while attempting to stabilize.

**SUSTAINABILITY IMPACT STATEMENT**

Today's proposed action supports the County of San Diego (County) Sustainability Goal #2, to ensure equitable access to County services. BHS has conducted extensive engagement activities to better understand local behavioral health needs and enhance collaboration with local partners. Through these efforts, BHS has solicited community feedback to inform department priorities, inclusive of services and infrastructure planning. The development of the Substance Use Residential and Treatment Services facility and Children's Crisis Residential Care facility will support increased capacity dedicated to children and adults with behavioral health conditions. These services will support equitable access to essential behavioral health care for Medi-Cal eligible children and adults, enabling them to be connected to care.

**FISCAL IMPACT**

**Recommendation #1: Authorize the Acceptance of the Behavioral Health Continuum Infrastructure Program Grant**

Funds tied to the acceptance of the Bond Behavioral Health Continuum Infrastructure Program (Bond BHCIP) grant funding for the Substance Use Residential and Treatment Services (SURTS) are not included in the Fiscal Year (FY) 2025-26 CAO Recommended Operational Plan for the Health and Human Services Agency. If approved, this request will result in estimated costs and revenue of approximately \$21.9 million in FY 2025-26. Appropriations for SURTS are already included in the FY 2024-25 Operational Plan and will be made available in subsequent fiscal years through the appropriate year-end process. The funding source is the Behavioral Health Continuum Infrastructure Program Grant.

Funds tied to the acceptance of the Bond BHCIP grant funding for the Children's Crisis Residential Care facility is partially included in the FY 2025-26 CAO Recommended Operational Plan in the County Health Complex Fund (Project 1027588). If approved, the request will result in estimated costs and revenue of approximately \$7.9 million in FY 2025-26. The funding source is the Behavioral Health Continuum Infrastructure Program Grant. The CAO Recommended Operational Plan includes \$6.9 million to fund this project. The estimated \$1.0 million additional available grant funds in comparison to project estimates is earmarked for use towards the project as needed. Future Board action will be necessary if an increase to the capital project is necessary. At that time, staff would return to the Board for future approvals necessary.

If approved, this request will result in a total estimated costs and revenue of approximately \$29.8 million in FY 2025-26 through FY 2029-30 and will be used for capital costs as noted above.

There will be no change in net General Fund cost and no additional staff years.

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**Recommendation #2: Waive Board Policy B-29, Fees, Grants, Revenue Contracts**

A waiver of Board Policy B-29 is associated with the BHCIP minimum grant match requirement of 10 percent of the total award in FY 2025-26 through FY 2029-30, or \$2.9 million. To increase competitiveness in the application process, the required local match was exceeded by utilizing both the value of the property as well as sunk capital costs already expended for each project, for a total demonstrated local match of \$10.8 million. The public benefit of this project far outweighs the B-29 unrecoverable costs. There will be no change in net General Fund cost and no additional staff years.

**BUSINESS IMPACT STATEMENT**

N/A

**ADVISORY BOARD STATEMENT**

Information on this item was shared with the Behavioral Health Advisory Board at their regular meeting on May 1, 2025.

**BACKGROUND**

In California, counties are responsible for administering specialty mental health and substance use services for residents eligible for Medi-Cal. In this capacity, the County of San Diego (County) Health and Human Services Agency, Behavioral Health Services (BHS) serves as the specialty mental health plan for Medi-Cal eligible residents with serious mental illness, and the service delivery system for Medi-Cal eligible residents with substance use disorder care needs within San Diego County. To ensure access to quality care that meets the needs of Medi-Cal beneficiaries in San Diego County, BHS is required to maintain a local network of behavioral health services and providers.

In March 2024, California voters passed Proposition 1, which includes the Behavioral Health Services Act and the Behavioral Health Infrastructure Bond Act of 2023 which authorized \$6.38 billion in general obligation bonds. Funds aim to expand behavioral health treatment, residential care settings, and housing to support people with mental health conditions and substance use disorders. Funds from the bonds were allocated to competitive grants for facilities that provide behavioral health treatment and residential settings, including tribal entities and serving individuals who are homeless or at risk of homelessness with behavioral health needs. The Bond Behavioral Health Continuum Infrastructure Program (Bond BHCIP) allocated \$4.4 billion in competitive grants for facilities that provide behavioral health treatment and residential settings, which includes \$30.0 million reserved for tribal entities.

Bond BHCIP grant funding will be available via multiple rounds of competitive grants administered by the Department of Health Care Services (DHCS), totaling up to \$3.3 billion. The Request for Applications for Bond BHCIP Round 1: Launch Ready was released in July 2024, with applications due in December 2024, and funding awarded in May 2025. Infrastructure projects proposed for Bond BHCIP grant funds were required to expand community-based behavioral health facility capacity for Medi-Cal beneficiaries through regional models and collaborative partnerships that advance equity and increase services within areas that do not have

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adequate mental health and substance use treatment facilities. BHS issued 30 letters of support to organizations across the region in support of their BHCIP applications.

The County submitted and received funding for two Bond BHCIP grant applications under Round 1, specifically for the Substance Use Residential and Treatment Services (SURTS) facility and the Children's Crisis Residential Care facility, totaling \$29.8 million.

In addition to County BHS, five local behavioral health providers were also awarded BHCIP grant funds.

- Palomar Health Foundation received \$49.9 million for an acute psychiatric facility in Escondido.
- InnerTribal Treatment received \$19.9 million for an adult residential SUD treatment facility in Pauma Valley.
- McAlister Institute for Treatment & Education received 34.5 million for an adult residential SUD treatment facility in San Diego.
- Casa De Amparo received 19.9 million for a psychiatric residential treatment facility in San Marcos.
- Epidaurus (Amity Vista Ranch) received \$31.5 million for an adult residential SUD treatment facility in Vista.

In total \$185.0 million of BHCIP grant funding was awarded to the County and five other entities in the region to establish an estimated 375 treatment beds and 1,538 treatment slots for people who are Medi-Cal eligible and enrolled.

*Substance Use Residential and Treatment Services (SURTS)*

The SURTS facility was awarded \$21.9 million in Bond BHCIP funds and will establish new substance use residential and treatment services in the South Region, increasing local access to care for people with substance use conditions who are Medi-Cal eligible. Located on a County-owned parcel, the SURTS facility infrastructure efforts will include renovations of the mechanical, electrical, and plumbing systems, modernization of residential rooms and office spaces, and building an Annex, which will include a kitchen and laundry facility. Extensive efforts are already occurring and the total estimated cost for this renovation is \$26.8 million.

The SURTS facility will establish approximately 89 new beds, inclusive of approximately 73 new residential substance use treatment beds and 16 new recuperative care beds. The substance use services provided within this facility will be sustainable through Medi-Cal funding. BHS was also awarded \$12.4 million in Behavioral Health Bridge Housing Round 3 grant funding and \$1.95 million of these funds will support the development and operations of the recuperative care beds within the SURTS facility.

*Children's Crisis Residential Care Facility*

The Children's Crisis Residential Care facility was awarded \$7.9 million in Bond BHCIP funds and will provide support to children and youth up to 18 years of age with serious emotional disturbance and those in mental health crisis. The grant funds will support dedicated infrastructure for the facility within an existing County-owned facility by repurposing an area previously utilized

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as administrative space. The facility is located in the North Central Region of San Diego County. Renovations include reconfiguring the existing internal layout to establish a new layout, overhauling the heating ventilation and air conditioning system, adding a new fire suppression system, extensive plumbing, and other improvements. The total estimated cost for this renovation is \$11.8 million and will establish 16 new children's crisis residential beds, which do not currently exist within the local behavioral health continuum of care. The services provided within this facility would leverage Medi-Cal funding.

***BHCIP Timelines***

The Bond BHCIP award-related efforts include expedited deadlines, requesting multiple documents within one week of award, including conditional award attestation, detailed draw projections, and supportive materials to memorialize the match obligation. In addition, each awardee has no more than 90 days to execute the Program Funding Agreement with the State.

The Bond BHCIP Round 2: Unmet Needs grant funding request for applications is expected to be released shortly. The second round will include total funding of up to \$1.1 billion, available to counties, cities, tribal entities, nonprofit, and for-profit entities through competitive awards, and will be subject to a regional funding cap that allocates \$161.1 million for Southern California counties, along with 20 percent set aside for use at the State discretion. BHS is exploring options, in partnership with the County Department of General Services, for capital projects that would meet criteria and be best situated for the BHCIP Round 2 grant funding.

Today's action, if approved, will allow the County to accept one-time funding of \$29.8 million from the Bond BHCIP Grant funds to invest in establishing dedicated infrastructure at two County-owned facilities: SURTS and the Children's Crisis Residential Care. Appropriations for the SURTS facility are already included in the Fiscal Year (FY) 2024-25 Operational Plan and will be made available in subsequent fiscal years through the appropriate year-end process. Appropriations for the Children's Crisis Residential Care facility are partially included in the FY 2025-26 CAO Recommended Operation Plan. Additionally, today's action requests the Board to waive Board Policy B-29 to meet the grant match requirements. The BHCIP Grant has a local match requirement of 10 percent of the total award in FY 2025-26 through FY 2029-30. The local match will be covered by the value of the property and sunk capital costs already expended for the project totaling \$10.8 million and exceeds the 10 percent match requirement of \$2.9 million. The public benefit of this project far outweighs the B-29 unrecoverable costs as this is needed for capital infrastructure at the SURTS facility and the new Children's Crisis Residential Care facility.

**LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN**

Today's action supports the County of San Diego 2025-2030 Strategic Plan initiatives of Equity (Health) and Community (Quality of Life) as well as the regional *Live Well San Diego* vision. This is accomplished by reducing disparities and disproportionality of individuals with mental illness and substance use disorders and ensuring access to a comprehensive continuum of behavioral health services administered through accessible behavioral health programs.

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Respectfully submitted,



FOR

EBONY N. SHELTON  
Chief Administrative Officer

**ATTACHMENT(S)**

N/A