

***California Student Aid Commission*****Information on Proposal by the California Department of Mental Health (DMH)  
for the California Student Aid Commission to Assist in the Administration of a  
Loan Assumption Program Under the Mental Health Services Act**

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Proposition 63 – The Mental Health Services Act (MHSA) requires the Department of Mental Health (DMH) to develop a five year education and training plan that includes expansion for a loan forgiveness program in exchange for a commitment to work in the state’s public mental health system. Proposition 63 imposes a tax on individuals with a taxable income of \$1 million or more to fund MHSA. DMH provides MHSA funds to all 58 counties to provide outreach services to the underserved community for mental health services. Funds are also put into DMH’s Education & Training program where the loan forgiveness program is established. These funds will sunset on June 30, 2008. However the counties’ education and training funds are renewable. The counties would receive 20% of MHS funds.

In October 2006 the DMH staff contacted the Commission for information on administering loan assumption programs and in assisting other State departments in implementing new programs. The DMH is proposing to partner with the Commission to administer a statewide loan forgiveness program to provide up to \$48,000 in loan payments for public metal health, county and community-based organization employees in an effort for employers (counties or public mental health agencies) to hire and retain staff.

On November 7, 2006, Commission staff met with DMH staff to discuss the structure of the program and to provide guidance and expertise on administering a loan assumption program. Commission staff initially understood that the Commission’s role would be limited to issuing loan assumption payments after DMH selected the program participants. However, at a March 6, 2007 teleconference, the DMH staff expressed a desire to increase the Commission’s role in implementing and administering the program. The Executive Directors of both departments will be meeting on March 28, 2007 in an effort to identify more clearly the role in assisting DMH in implementing this new program,.

The Commission would receive funding for the new program from Prop 63 funds through an interagency agreement with DMH that would need to be approved by the Commission. The agreement would have to outline the specific roles and responsibilities, as well as a timeline for implementation.

Commission staff will need to obtain approval from the Department of Finance to receive and spend these funds. It is unclear at this time what resources are needed by the Commission for this new program.

As discussions proceed, the Executive Director will be expected to advise the Administration and Legislature of the Commission's intent to assist with this program.

**Recommended Action:** Information Only. Commission staff will provide update. No recommendation at this time.

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