



DEPARTMENT OF MENTAL HEALTH

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DMH Legislative Report for the Behavioral Health Commission – January 5, 2026

This report includes an update on the 988 Suicide & Crisis Lifeline – LGBTQ “Press 3” option, an update on the enhanced premium tax credits for the Affordable Care Act health insurance marketplaces, a summary of the recent HUD NOFO injunction, and a note about the expected Governor’s budget. It also provides status updates on the list of DMH’s priority bills and bills of interest for the 2026 legislative session. The Department will continue to monitor our priority bills that carried over from 2025 into the 2026 legislative session, as well as newly introduced bills in 2026.

988 Suicide & Crisis Lifeline – LGBTQ “Press 3” Option

From the December Legislative Report to the Behavioral Health Commission:

“On December 9, 2025, the County of Los Angeles Board of Supervisors will consider a motion instructing the Director of Mental Health to develop a proposal for a local “Press 3” pilot program for the County. The idea of creating a local pilot program was first proposed in a report that DMH sent to the Board of Supervisors on November 3, 2025. This pilot is intended to restore the “Press 3” option hotline that was previously part of the 988 Suicide and Crisis Lifeline. The “Press 3” option provided services specifically designed to meet the needs of the LGBTQ youth population, but these services were defunded by the Trump Administration earlier in 2025. Last year, nearly 73,000 California youth used this hotline to receive critical, life-saving services. The County of Los Angeles is working with Assemblymember Gonzalez’s office to seek approval from the California Health and Human Services Agency (CalHHS) and the Substance and Mental Health Services Administration (SAMHSA) to introduce state legislation in the 2026 legislative session.”

- **Update:** The motion was passed by the Board of Supervisors on December 9th. Assemblymember Mark Gonzalez intends to introduce the bill in early January. DMH will continue to keep the Commission apprised of future developments with the Assemblymember’s bill.

Expiration of the Enhanced Premium Tax Credits for the Affordable Care Act Health Insurance Marketplaces

Originally offered under the Affordable Care Act, and later extended under the Inflation Reduction Act, the enhanced federal tax credits offered financial assistance to many Americans whose income is too high to qualify for Medicaid, but whose employer does not offer health insurance benefits through work, and who find the private health insurance market to be prohibitively expensive. The tax credits offered significant subsidies that made the ACA private health insurance marketplaces much more affordable for the tax credit recipients. Although multiple legislative proposals were introduced in the House and Senate in the final months of 2025 designed to extend these tax credits, none of the proposals successfully passed out of both houses of Congress. As a result, the enhanced federal tax credits expired as of December 31, 2025 and health insurance premiums for the millions of Americans who enjoyed the tax credits are expected to rise very significantly and suddenly.

Pundits and policy analysts offer a wide range of expected impacts from the expiration of the tax credits. Analysts believe that the loss of the Federal tax credits will lead some former recipients to opt for cheaper and less robust health insurance products, while others may choose to forego purchasing health insurance

and become uninsured. Many health insurance industry policy analysts, including the Kaiser Family Foundation, believe that the expiration of the tax credits will result in loss of coverage and access for the families and individuals that were previously receiving the tax credits.

Although the tax credits did not directly impact Medicaid members or the County's public mental health safety net system, the loss of these tax credits may lead to some indirect impacts in the future. For example, if County residents who previously received the tax credits and purchased health insurance now choose to not purchase health insurance, there may be a decrease in preventive care for individuals with mild-to-moderate mental health needs in the County. With time, if these residents are unable to access appropriate mental health services, we may see an eventual increase in untreated, more severe mental illness. Such an increase in demand for serious mental illness treatment services could impact the public system of mental health care.

DMH will continue to monitor the impact of the expiration of the Federal tax credits, as well as any research and analysis that is published about the impact of these policy changes.

Housing and Urban Development's (HUD) Continuum of Care (CoC) Notice of Funding Opportunity (NOFO) Update

On December 23, 2025, a federal court issued a preliminary injunction that affects the U.S. Department of Housing and Urban Development's (HUD) Continuum of Care (CoC) funding process. The injunction paused several actions including HUD's last-minute decision to cancel the 2024-2025 Continuum of Care and Youth Homelessness Demonstration Program Notice of Funding Opportunity (NOFO). The injunction also stopped HUD from moving forward with their new FY 2025 CoC NOFO which capped permanent supportive housing at 30 percent. At this time, HUD must return to the "status quo" that existed under the FY 2024-2025 NOFO. However, HUD is expected to reopen and announce a revised NOFO by January 6, 2026.

While the Court's preliminary injunction may allow the County and its residents to avoid the major disruption that was expected because of HUD's previously released NOFO, it should be noted that the Court has not yet made a final decision on the legal cases. DMH and our partners (including LAHSA, LACDA, and the DSHS) are all closely watching these legal cases and the Department will continue to keep the Commission apprised as new updates become available.

Expected Governor's Budget

The Governor is expected to release his January Proposed Budget for Fiscal Year (FY) 2026-27 on Friday, January 9th around 10:00 a.m. Although State revenues are running ahead of the 2025 State Budget Act assumptions, these revenue gains are expected to be offset by approximately \$6 billion in spending increases across the State budget. The Legislative Analyst's Office (LAO) is projecting an \$18 billion State budget deficit for FY 2026-27 with structural deficits to grow \$35 billion annually beginning in FY 2027-28 due to spending growth continuing to outpace revenue growth that may need to be addressed with spending reductions and/or increased taxes. Given this fiscal outlook, the LAO anticipates that the Governor's Proposed Budget will not have capacity for new commitments, particularly ones that are ongoing, and is advising the Legislature to address the State budget problem through a combination of ongoing solutions—namely, achievable spending reductions and/or revenue increases to mitigate deficits projected for future years.

DMH's Legislative Affairs and Government Relations will be ready to provide initial feedback for CEO LAIR to include in the Executive Summary to the Board. The Behavioral Health Commission can expect to see an update on the Governor's budget proposal in February's legislative report.

Priority Legislation

The analysis and status updates offered below should be considered preliminary and may be subject to change as two-year bills are awaiting to be heard in the 2026 legislative session.

- **SB 331 Substance Abuse (Menjivar)**, as amended on May 23, 2025, would include in the definition of “gravely disabled” for purposes of the above provisions an individual who is unable to provide for their basic personal needs due to chronic alcoholism, as defined. Would further define a “mental health disorder” as a condition outlined in the current edition of the Diagnostic and Statistical Manual of Mental Disorders. Would include the original petitioner, and in specified circumstances, the original petitioner if the respondent consents, in the specified entities that would receive notice of proceedings and service of documents and reports. Would include the original petitioner in those required to work with county behavioral health agencies to enter into CARE agreements, among other things.

DMH Analysis: DMH has concerns with SB 331’s current intent to broaden the definition of “mental health disorder” and believes that current processes are appropriate and sufficient to ensure that individuals with potential mental health disorders are evaluated for 5150’s. If an individual is a danger to themselves or others, there are already processes in place for that individual to get access to the LPS systems.

DMH Position: Expressed concerns.

County Position: Watch.

CBHDA Position: Oppose.

Current Status: Awaiting to be referred to committee.

- **SB 16 Ending Street Homelessness (Blakespear)**, as amended on June 23, 2025, would require applicants for Round 7 of the Homelessness Housing, Assistance, and Prevention Program (HHAP) to identify goals to reach functional zero for homelessness and city and county applicants to submit an MOU describing their roles and responsibilities as it relates to homelessness. In addition, new amendments would allow HHAP applicants to draw down additional dollars from BH Housing Funds, No Place Like Home, BHBH, and HomeKey+.

DMH Analysis: SB 16, March 23, 2025, amended version, would have required counties to pay for at least 50% of the expected operating costs for city homeless shelters in order to qualify for Homeless, Housing, Assistance, and Prevention (HHAP) funding. The County of Los Angeles took an oppose position on the previous version (March 25, 2025, amended version). However, SB 16 was significantly amended on June 23, 2025, and became a two-year bill. DMH does not have concerns on the current version of SB 16, however, it is possible the bill will be amended again in 2026.

DMH Position: Expressed concerns (over March 25, 2025, version), no concerns on the June 23, 2025, version.

County Position: Watch (based upon the June 23, 2025, version).

CBHDA Position: Oppose (based upon the June 23, 2025, version).

Current Status: Awaiting to be referred to committee.

Legislative Report for the BHC
December 8, 2025