

**GOLDEN** ●  
**TOGETHER**

# Ending Homelessness

*Prepared by Golden Together, A Movement to Restore the California Dream*



## Foreword

There are few signs of a failing society that have greater visibility and impact than the countless thousands of homeless people whose encampments sprawl along freeway off-ramps, public parks and beaches, and the streets and squares of every major city in California. In January 2024, an estimated 187,000 people in our state were sleeping on the street or in homeless shelters, and two-thirds of them were estimated to be “unsheltered homeless,” sleeping outside in doorways, under bridges, or in makeshift shelters using tents and tarps.

Nearly a decade ago in 2016 California’s homeless population was estimated at 115,000. The surge in numbers to nearly 200,000 (which most people closely involved with this issue suggest is, in any case, a gross underestimate) means that California now accounts for 24% of the nation’s homeless and 45% of its unsheltered homeless. This is a grossly disproportionate share, since California only represents 11.6% of the U.S. population.

Clearly it is not due to a lack of spending. A state audit released in April 2024 estimated expenditures to help the homeless over just a five year period from 2019 through 2023 at \$24 billion. This doesn’t include the 101% spending increase between 2016-2019, nor does it include the additional billions that passed directly from federal grants into agencies at the local level, nor the multiple billions raised and spent by local governments in the form of bonds and tax assessments.

In this report, we will expose how an ideologically-driven rule called “Housing First”, first enacted as a one-size-fits-all approach by the Department of Housing and Urban Development (HUD) in 2013, largely restricts use of federal homelessness funds to the provision of “permanent supportive housing subsidies.” This disastrous policy has poured billions of dollars into subsidizing expensive housing while effectively defunding services designed to address the root causes of persistent homelessness: mental illness and substance addiction. In 2016, California became the only state in the nation to adopt Housing First as its own policy approach, meaning that both federal and state funds were bound to this calamitous strategy.

The destructive effects of “Housing First” were compounded by two other massive policy failures. The first was the refusal of local governments, especially in our major cities, to enforce local anti-camping ordinances. It was claimed that a 2018 ruling by the Ninth Circuit Court of Appeals, Martin v Boise, Idaho (commonly referred to as “the Boise ruling”) prevented authorities from enforcing the law and removing illegal public encampments. But Boise was just a convenient excuse for a lack of will. Boise stated that local authorities could only remove homeless encampments if there was sufficient shelter space available locally. It did not specify what kind of shelter space would qualify.

Local authorities, in thrall to homelessness nonprofits and politically connected developers (the so-called 'Homelessness Industrial Complex'), stipulated that Boise required permanent housing as its definition of "shelter." This permitted an appalling, ideologically-driven falsehood to take root: that people living on the streets had a right to that "lifestyle" and that anyone arguing for forced removal of homeless people was lacking "compassion."

In reality, of course, letting people live in squalor and danger on the streets is the very opposite of compassion: it is cruel and heartless. This cruelty was heightened by California state and local government's attitude to mental health services. For decades, driven by widespread (and legitimate) public concern over large-scale mental health institutions in the 1960s, Medicaid funding for mental health was restricted to units with 16 beds or fewer. While this may have been well-intentioned, it meant that decades later, mental health provision in California (largely funded by Medicaid) remained hopelessly inefficient and inadequate.

Now, some steps are finally being taken to enable real action in response to this crisis. A recent Supreme Court decision (Grant's Pass vs Oregon) overturned Boise, removing any excuse from local governments that fail to ban and remove public encampments. The first Trump administration streamlined a waiver process from Medicaid's 16-bed rule for mental health reimbursement - although unlike other states, California has not applied. And Proposition 36, approved by voters in November 2024, restores the ability to prosecute property and drug crimes.

The priority now must be to repeal the Housing First mandate and restore funding for residential programs that provide treatment services to support the homeless in healing and restoring their lives. We must also change our approach to mental health services, taking advantage of the Medicaid waiver process, as other states have.

With renewed emphasis on helping California's homeless population regain their dignity and get their lives back, reversing this crisis is possible. In this report we will outline specific programs and policy reforms that will make public spaces safe again, and give homeless people not only shelter, but the individualized therapy and training they so desperately need.

In preparation of this report I would like to thank Susan Shelley, Michele Steeb, Soledad Ursua, Paul Webster, and the California Policy Center's Edward Ring, who is lead author on this and all our policy papers.

Other rich countries, even other states in America, do not have these public scars of policy failure. California's politicians love to brag about this being the "fifth biggest economy in the world." Even more shameful, then, that we have allowed this truly horrendous situation to continue. Parents forced to navigate an obstacle course of tents, trash, drug paraphernalia and sprawled, stupefied bodies as they walk their kids to school.

Human feces on the streets. A homeless mother giving birth in the gutter. In every major city, increasingly in every suburban and even rural area, scenes that bring to mind the epithet “third world conditions.” All side by side with the billionaire enclaves of Silicon Valley and the self-appointed cultural “elites” of Hollywood. Year after year, new “plans” announced by the politicians, new taxes levied, new bonds issued - and the problem just gets worse.

Enough of all this. Shame on the people who let it happen. Shame on them. It’s time for real change, time not just to “address” or “manage” California’s homelessness crisis but to end it, for good. Nobody should be living on the streets; nobody. We would never want anyone we love to be living in those conditions, so why do we tolerate it for strangers? Nobody should be worried about having a roof over their head or a home of their own in a land as wealthy, productive and innovative as California. The right number of homeless people living on the streets is zero. We should have zero tolerance for any other outcome. This has gone on long enough.

Those struggling with homelessness in California are not beyond help. This paper focuses on solutions to make their recovery a reality. We can and must end homelessness in California.

**Steve Hilton**  
California, January 2025

## Keypoints

- **Exploding and Disproportionate Crisis:** The number of homeless Californians has surged by 55% over the past decade. California now accounts for 24% of the nation's homeless and 45% of its unsheltered homeless, despite holding 11.6% of the U.S. population.
- **California's Homeless Count Grossly Underestimates the Problem:** An estimated 60% of homeless families in California are excluded from the state's homelessness count, which also renders these families ineligible for state (and federal) resources.
- **Massive Spending, Minimal Results:** State spending has substantially increased, yet the crisis has continually worsened.
- **Housing First is a Failed Approach to Homelessness:** Housing First, as a one-size-fits-all approach to homelessness, has failed in California even more glaringly than its failure at the federal level.
- **We Need Congregate Shelters:** Building large, modern facilities instead of individual apartments will save billions of dollars, leaving funds available to offer the homeless counseling, therapy, recovery from drug and alcohol addiction, and job training.
- **Housing Shortage Only Part of Problem:** While expensive housing may be a factor in driving homelessness, once individuals experience homelessness, they are much more likely to suffer from substance abuse and mental illness.
- **Homeless Individuals Differ:** One way to categorize them are the "have-nots," who with temporary assistance and training will find jobs and housing, the "cannots" who have serious mental health and addiction challenges, and the "will nots" who may also have mental health and addiction challenges but do not want to change.
- **Mental Illness and Addiction Often Accompany Homelessness:** A 2023 metastudy found that 82% of those struggling with homelessness are also struggling with mental illness or substance use disorder yet treatment for these issues is no longer funded or required.
- **The Neglected Mentally Ill:** In 1967 the California State Legislature passed the Lanterman-Petris-Short Act, intended as a reform to end involuntary commitment of persons with mental health disorders. The practical impact was to condemn thousands of mentally ill Californians to live untreated on the streets.
- **Funding Larger Mental Health Facilities:** California must apply for a federal waiver from the Medicaid IMD (Institution for Mental Disease) rules that will not reimburse care facilities for the treatment of mental illness that have more than 16 patients.

## Overview

In 2013, the Federal Department of Housing and Urban Development (HUD) issued a directive that is likely to have done more to harm the welfare of homeless individuals than any single policy action ever taken either at the federal or state level.

They mandated “Housing First” as a one-size-fits-all approach to homelessness. This required that the majority of federal homelessness funding be used to provide life-long and unconditional housing vouchers. Simultaneously, they defunded and decoupled requirements that homeless people engage in mental health treatment, addiction recovery, and job training under the rationale that such rules would discourage the homeless from accepting housing.

Because HUD is the largest funder of homelessness, and because most of its funding is routed through state and local agencies, these agencies often align with Housing First principles.

California, however, was the only state in the nation to double down on “Housing First” by adopting it into state statute with the passage of Senate Bill 1380 in 2016. Authored by State Senator Holly Mitchell (D-Los Angeles), this action tied both federal and state funding to a model that provides subsidized housing for life without any requirements for treatment, work, or accountability. Under this double whammy, California’s homeless population exploded by over 40%.

If you consider the entire homeless population, this means we are promising them life-long, subsidized housing without any requirements. They do not have to be sober, nor do they have to accept any responsibility to be sober or to contribute to society, thereby suppressing their innate abilities and potential.

President Obama promised that Housing First would end homelessness in a decade. Yet, over a decade later, the number of homeless Americans soared to the highest level ever recorded, accompanied by a 238 percent increase in the homeless mortality rate, on which California now ranks amongst the worst states in the nation.

Beyond these abysmal outcomes was the quiet release of the only long-term study of Housing First. It demonstrated that Housing First is ineffective and often deadly. Over the 14-year analysis, nearly half of the individuals died by year five, and only 36% remained housed after year five.

There are two myths that underlie Housing First as a one-size-fits-all approach to homelessness. One myth is that everyone needs, and is entitled to, an individual housing unit that is permanently subsidized.

This is as impractical as it is unsustainable. Under this approach, no one exits our nation's government-controlled homelessness system - the "Homeless Industrial Complex" as it has been called. Thus, as new people enter homelessness each day, they are forced to line up on the streets until more "affordable" housing units are built. Yet California, already facing a severe housing shortage when it adopted Housing First, continues to struggle with meeting the overwhelming demand for housing. The Homeless Industrial Complex will never build enough individual units to keep pace.

What's more, individual housing units isolate the homeless from support networks. This can be a death sentence for them, underscored by the second Housing First myth: that a mere 20-30 percent of the homeless population struggles with mental illness and/or addiction. That's what HUD data, and Housing First advocates, claim.

The UCLA Policy Lab and the LA Times debunked this myth, finding that 78 percent of the chronically homeless population struggle with the diseases of mental illness and/or addiction. A more recent report from the UCSF Benioff Institute had a similar finding.

There are multiple reasons why someone may become homeless. Financial precarity, exacerbated by California's government-created high cost of living, could result in a classic, and tragic, 'slippery slope.' You lose your job, don't have any savings, can't make rent, lose your apartment, 'couchsurf' with friends for a few months, their hospitality runs out, you sleep in your car, then you can no longer afford the car...and so a regular working person, who a year before would have found the suggestion that they would end up as one of the homeless people they drive by every day completely unimaginable, finds themselves in exactly that position.

Once homeless, especially if they are living on the street, this person who just months before was living a perfectly 'respectable' life, is immediately the target for criminal drug gangs whose business model is to get them addicted. A combination of drugs, and the sheer stress of being homeless, causes the onset of severe mental health problems.

That's how it becomes true that most homeless people suffer mental health or drug addiction problems. Now it is also true that the downward spiral outlined above could have been precipitated by mental health or drug (or alcohol) addiction problems. In a desperate mark of shame for America, this is the case with many of our brave military veterans. But whether mental illness and drug addiction are a precursor to homelessness, or a result of it, has no bearing on what we need to do about it. These diseases must be treated, and study after study shows that social isolation leads to deeper substance misuse and mental health challenges.

Congregate and transitional residential environments, which historically served the homeless but were defunded under the Housing First approach, are not only the most effective way to deliver treatment services to homeless people; they also provide communities of support which are a crucial element for healing.

That is far from what we have today. Existing shelters are not just failing to help homeless people recover: it has been reported that they're making problems far worse, with shocking instances of abuse, violence and terrible living conditions. This is, in part, the consequence of underfunding, as most "homelessness" money goes to Housing First. This prevents many current shelters from properly maintaining their facilities, hiring trained staff, and offering support services to help the homeless overcome addiction or get counseling and job training.

But shelters are also failing because they lack behavioral conditions for admittance, one of the tenets of Housing First that affects shelter policy as well. Shelter populations also need to be differentiated, so single mothers with children, for example, are not sent to the same shelters as men with drug and alcohol abuse problems, criminal records, and mental health issues. Shelters need to be better funded, require sobriety and counseling, and focus on distinct groups of homeless people.

But California's leaders, including a coalition of nonprofits, public agencies, and politically connected developers and construction firms coalescing into the "Homeless Industrial Complex", continue to insist that building more individual "affordable" housing units, at a cost that typically averages well in excess of \$500,000 per unit (in some parts of the state hitting an absurd \$1million per unit), is the only way to address its homeless crisis.

Things are starting to change. Proposition 36, approved by voters in November 2024, upgrades some property and drug crimes to a felony, giving judges the leverage to compel offenders into treatment programs as an alternative to incarceration. In June 2024, in *Grant's Pass vs Oregon*, the Supreme Court overturned *Martin v. Boise*, clarifying the ability of cities to enforce an anti-camping ordinance. This, too, gives authorities the leverage to persuade people living on the streets to choose shelter and treatment programs rather than face arrest.

It is important to recognize, however, that these steps primarily enable stronger action to tackle crime and chaos on our streets. That is necessary but not sufficient. To actually end homelessness, we must create residential programs that are both communal and rehabilitative, and that require engagement in treatment services when warranted. Yet these programs have all but vanished in California.

In the report to follow we will propose a comprehensive set of policies designed to both address the causes of homelessness as well as the challenge of getting California's homeless off the streets and back to leading productive lives.



## Causes of Homelessness

According to the California Department of Housing and Community Development, a primary cause of homelessness is that there is not enough housing being built. They cite a projected need for 180,000 new housing units per year against an average production over the past decade of only 80,000 housing units per year. They also attribute homelessness to the high cost of housing, claiming that the majority of renters in California, more than 3 million households, “pay more than 30 percent of their income toward rent, and nearly one-third — more than 1.5 million households — pay more than 50 percent of their income toward rent.”

This conventional explanation supports official policy: if housing is scarce and expensive, then build more housing, hence “Housing First.” And because California has some of the most expensive housing in the United States, this argument is also used to explain why California has 11.6 percent of the nation’s population but 24 percent of its homeless population and 45% of its unsheltered homeless population.

The National Coalition for the Homeless, one of the largest nonprofits with a mission to help the homeless, offers a slightly more nuanced set of causes. While identifying the cost of housing as the number one cause of homelessness, and poverty as the interlinked other major factor, they acknowledge that homelessness is also triggered by domestic violence, mental illness, and addiction. This begins to get to the root of the problem.

A 2019 study conducted by the UCLA Policy Lab found that 50 percent of the unsheltered homeless had what they characterized as a state of trimorbidity: suffering from three ailments simultaneously: a physical health condition, a mental health issue and a substance abuse condition. A 2024 metastudy evaluating 86 studies on the homeless found that 67 percent have mental health disorders. And this, from a 2023 study conducted by UC San Francisco’s Benioff Homelessness and Housing Initiative:

“A staggering 82% of people experiencing homelessness said they had a mental health condition or substance use challenge in their lifetime. And 66% said they were currently experiencing mental health problems, such as depression, anxiety, hallucinations, or trouble remembering things.”

In a recent interview, Michele Steeb, author of *Answers Behind the Red Door, Battling the Homeless Epidemic*, and someone who has worked extensively with homeless individuals, estimated that in the overall population of homeless about 70-80 percent of them struggle with addiction and mental illness, adding that “we don't have good data on whether the conditions of addiction and mental illness caused the homelessness or were the result of homelessness - in our experience it's around 50/50 but either way we have to help them with therapy and hope and a pathway to restoration which the system does not do now.”

Therapy, however, is not funded by the federal government under the Housing First rules, and the only way that Steeb and others can offer therapy is through private shelters funded with private donations.

Literally billions of dollars of federal, state and local public funds every year are spent in California to construct housing for the homeless, at a per unit cost that precludes new construction of “permanent supportive housing” ever catching up.

Meanwhile, many of the homeless are people who were housed and just getting by financially and then some trauma - for example job loss or illness - pushed them onto the street. Because Housing First policies require that scarce housing units must be available unconditionally to people who are actively using drugs, the needs of individuals and families facing a temporary economic crisis cannot be prioritized in public housing programs. Housing First policies took money away from other programs that could help - mental health therapy, drug counseling, job training.

According to Paul Webster, Executive Director of the Los Angeles Alliance for Human Rights and Founder and Director of the Hope Street Coalition in Los Angeles, there are three types of homeless. There are the “have nots” who will succeed if they are trained to acquire new skills and have access to services. The have-nots, who account for roughly 30 percent of California’s homeless (they are often not counted) often live doubled up as guests in homes of friends or relatives, or they live in cars and RVs; many of them are single mothers who want to avoid living on the street. Then there are the “cannots” who suffer from mental illness or disabilities that may be exacerbated by substance addiction, but even if they achieve sobriety will require permanent treatment and assistance. The third group are the “will nots” who do not want to change. Most of these individuals are drug addicts or alcoholics.

The so-called “will-nots,” who Webster estimates at between 30 and 50 percent of California’s unsheltered homeless, know they have safe havens on the street, where they can get drugs and alcohol cheaply and readily. The will-nots become very sophisticated at getting what their addiction drives them to crave. And since the publicly funded service providers don’t make a distinction between the unwilling and the unable, as a result the unwilling will always have the ability to crowd out the unable.

When it comes to the harm created by deeply flawed laws aimed at helping the homeless, Housing First, adopted by HUD in 2013 and copied by the State of California in 2016, is the worst example. Michele Steeb likened the Housing First approach on homelessness to bringing a patient urgently in need of medical treatment into a newly constructed modern hospital - but the only thing inside are the walls: no doctors, no nurses, no equipment. The patient has a roof over their head, but none of the treatment they desperately need. Completely left behind by Housing First, at least when it comes to funding, are the organizations that work on permanent transformation, instead of mere containment in “permanent supportive” housing.

California's homelessness crisis, particularly relating to the "will nots" cohort of homeless individuals, was made much worse in 2014 with the passage of Proposition 47. Sold to voters as "criminal justice reform" and a way to reduce prison overcrowding, the practical impact of Prop. 47 has been to make it nearly impossible for law enforcement to deter public intoxication, drug possession, and petty theft. Another ballot initiative that contributed to rising homelessness was Proposition 57, passed by voters in 2016. Prop. 57 increased parole and good behavior opportunities for felons convicted of nonviolent crimes as eligible for early release.

While Prop. 57 was marketed to voters as a humane reform that would only release inmates who had exhibited good behavior and had not been convicted of violent crimes, it resulted in thousands of dangerous criminals getting out of prison, many of whom have ended up living on the streets.

Of course it is true that high housing costs, poverty, and unexpected traumas can push people onto the street. But Housing First, with its prohibition on conditioning housing on the acceptance of needed treatment for mental illness or substance use disorder, is what keeps them there. The impact of Prop. 47 and Prop. 57 has been to make conditions on the street more chaotic and dangerous for the homeless. As if that isn't enough, the situation for many years was worsened by a series of court rulings, most notably Jones v City of Los Angeles in 2006, and Martin v City of Boise in 2018.

After the Ninth Circuit Court of Appeals ruled in the Jones case that Los Angeles could not enforce its municipal ordinance against sleeping on the sidewalk, the city chose not to appeal to the U.S. Supreme Court and instead settled the case, agreeing to allow people to sleep on the sidewalks overnight anywhere in the city until a specified number of housing units were built for the chronically homeless. As part of the settlement, the Ninth Circuit's ruling was vacated and could not be cited as a precedent.

However, the judges of the Ninth Circuit repeated much of their ruling in the Jones case in a later case about camping in public, Martin v. City of Boise in 2018. In that decision, the court said cities could not enforce an anti-camping ordinance unless "sufficient shelter beds are available."

As editorial writer and columnist Susan Shelley explained in the Los Angeles Daily News in 2020, "The court didn't give precise guidance on exactly how many shelter beds must be available, or where they must be located, or what sort of shelter meets the court's standard. The judges also didn't say cities had to allow public camping absolutely anywhere. There's enough ambiguity in the decision to allow lawyers to sue a city over virtually any type of enforcement against tent encampments."

Ambiguity, spawning lawsuits, enabling corrupt solutions. When common sense policies are impossible, only ridiculous options are left, inevitably leading to the most opportunistic vendors who happily fill the void. When it came to helping the homeless in California, into the void marched what we now call the Homeless Industrial Complex.

If there was any chance of fulfilling the requirements set forth in *Martin v Boise*, and actually having Housing First money left over for treatment (because housing in the form of cost-effective communal shelters had achieved a surplus capacity), the Homeless Industrial Complex made sure that would never happen.

### *The Homeless Industrial Complex*

The alliance of special interests that constitutes the Homeless Industrial Complex includes government bureaucracies, non profit organizations that receive lucrative government contracts to provide services to the homeless, and large government contractors, especially construction companies and land development firms.

Here's how the process works: Developers accept public money to build projects to house the homeless – either “bridge housing,” or “permanent supportive housing.” Cities and counties collect building fees and hire bureaucrats for oversight. The projects are then handed off to nonprofits with long term contracts to run them.

That may not sound so bad, but the problem is the price tag. Developers don't just build housing projects, they build ridiculously overpriced housing projects. Cities and counties create massive bureaucracies. The nonprofits don't just run these projects – the actual people staffing these shelters aren't overpaid – they operate huge bureaucratic empires with overhead, marketing budgets, and executive salaries that do nothing for the homeless.

The costs, and the corruption, are at last attracting serious attention. A 2022 city audit of the \$1.2 billion housing bond measure approved by Los Angeles voters six years earlier found that the program spent on average \$600,000 per unit of homeless housing. Dignity Moves, a nonprofit that supports permanent supportive housing, acknowledges that the cost to build a single unit of supportive housing averages well over \$650,000 in San Francisco. Their solution? More money.

### *Mental Health Provision*

Another barrier to successfully getting California's homeless population off the streets and into treatment are laws that make it difficult to compel treatment for mental illness. This began in 1967 when the California State Legislature passed the Lanterman-Petris-Short Act, the purpose of which was to “end the inappropriate, indefinite, and involuntary commitment of persons with mental health disorders, developmental disabilities, and chronic alcoholism.” The practical impact of this, and something that has now gone on for nearly six decades, is to leave tens of thousands of mentally ill Californians to live untreated on the streets and in our jails.

Some of the worst provisions of the Lanterman-Petris-Short Act have been recently removed. In particular, SB 43, signed by Governor Newsom in October 2023, adds to those eligible for conservatorship people who are “unable to provide for their personal safety or necessary medical care, in addition to food, clothing, or shelter, due to either severe substance use disorder or serious mental health illnesses.”

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The overwhelming problem of caring for California's mentally ill, however, even if they can be brought into a care facility, is that Medicaid will not pay for care at institutions for mental diseases (IMD) with more than 16 beds. This is called the "IMD exclusion" and dates back to the 1965 law that created Medicaid. Congress could repeal the IMD exclusion, raise the bed limit, or make other changes that enable states to provide care for people suffering from gravely disabling mental illness in a medical facility appropriate to their needs.

For example, absent a congressional repeal of the IMD exclusion, the problem with Medicaid not funding mental health institutions with more than 16 beds can also be solved by obtaining federal approval for a waiver of the IMD exclusion. Pursuant to Section 1135 of the Social Security Act, the Secretary of Health and Human Services is authorized to approve applications from states to waive specific Medicaid requirements, such as the IMD exclusion, to better meet the needs of specific populations. The process to obtain these waivers in order to fund IMD facilities with more than 16 beds was streamlined under the Trump administration.

Today in California, larger facilities with adequate and appropriate staffing are not financially viable because Medicaid reimbursement funds are not available for care provided in facilities with 17 beds or more. We have seen that community care in small facilities does not work for everybody. It's long past time to correct this 1960s-era error.

Expensive housing, poverty, mental illness, addiction, domestic violence and other trauma are all causes of homelessness. Laws preventing effective law enforcement, early release laws that put prisoners on the street before they were ready, a voter approved initiative that downgraded drug and property crimes, court rulings that force cities and counties to allow public camping, federal "Housing First" rules that restrict nearly all spending to housing instead of treatment, laws that make it hard to compel treatment for the mentally ill and constrain funding for treatment facilities, and a special interest coalition devoted to prohibitively expensive housing solutions - these are the reasons people in California stay homeless.

In the next section we will explore the way we can get out of this mess, giving our streets back to the public, and giving back to homeless people what they deserve: lives of independence and dignity.

# Causes of Homelessness

## *Enforcing Prop. 36 and Grant's Pass*

While homeless counts in California are still at all time highs, there are developments that offer hope. As noted, the worst impacts of Prop. 47 were reversed by voters with the passage of Prop. 36 in November 2024. Prosecutors now have the discretion to charge individuals accused of possession of a hard drug (for example, fentanyl, heroin, cocaine, and methamphetamine) with felony instead of a misdemeanor if they have two prior drug-related convictions. Prosecutors can also charge individuals accused of petty theft with a felony if they have two prior theft-related convictions. These and other provisions of Prop. 36 make it possible to compel substance abusers to choose treatment as an alternative to prison.

**But of course, this is an empty promise unless the services are funded and available, and at the time of writing California's leaders are refusing to ensure that.**

Also encouraging is the reversal of the *Martin v. Boise* decision by the U.S. Supreme Court in their June 2024 ruling in the case *Grants Pass v. Johnson*. Cities and counties in California now have the authority to enforce laws prohibiting camping on public property regardless of the question - real or ideologically-inflated - of local shelter bed capacity. The impact of Prop. 36 and the *Grants Pass v. Johnson* decision mean that elected officials can no longer claim they don't have the tools to greatly reduce the numbers of homeless. In particular, if elected officials, law enforcement, and prosecutors in any jurisdiction choose to aggressively enforce laws against drug possession, petty theft, and public camping, it is a virtual certainty they will drive the previously described "will nots" to seek shelter with family, friends, or at the very least, somewhere else. But much more needs to be done.

To begin with, helping the homeless and getting them off the streets requires the will on the part of public officials to take these steps. Prosecutors are not compelled by Prop. 36 to charge repeat drug possession and property crime offenders with felonies, they only have that option. Similarly, cities and counties are not compelled by the *Grants Pass v. Johnson* decision to enforce laws prohibiting camping in public, they only have that option. Solving the homelessness crisis requires public officials to be willing to take these steps.

## *End Housing First*

It also requires action to reverse the insanity of Housing First. While the State of California cannot roll back HUD's Housing First rule that limits the use of federal funds to building permanent supportive housing, the state can repeal its own version of Housing First that controls the use of state funds. Since most funds to assist the homeless come from the federal government, the State of California should pressure the federal government to reverse the Housing First rule. The chances of success in that effort are much more likely with the new Trump administration.

## *Low-cost 'Recovery Shelters'*

We need to get practical when it comes to shelter. In order to cost-effectively help the homeless, instead of constructing individual apartment units at massive cost, public officials have the option to build low-cost 'Recovery Shelters.' Not only would this save money and speed up the process of getting homeless people off the streets and under a roof, such congregate shelters actually deliver better results. People struggling to overcome substance abuse do not respond well to being isolated in individual apartments or "tiny homes." They benefit from being in group therapy with their peers, in an environment where they can receive counseling and offer each other mutual support and encouragement. It is a much more human approach.

Low-cost Recovery Shelters would also allow specialization, and need to be. Existing shelters in California are underfunded because the bulk of the spending has been directed to the failed "permanent supportive housing" model as prescribed by the Housing First ideology. But the problems with shelters in California aren't merely lack of capacity. As a recent investigation by [Cal Matters](#) exposed, existing shelters are poorly maintained, with unqualified staff and inadequate oversight. Some of this can be fixed with more funds, but as we've learned with Housing First, more money is not enough. To offer effective treatment, shelters need better trained staff, they need accountability, but they also have to differentiate according to the specific needs of the people they are trying to help.

For example, different shelters can focus on accepting people with shared challenges; one for people trying to overcome substance abuse; one for women who are victims of domestic violence; one for families; one for people ready to concentrate on acquiring job skills. These shelters should be eligible for funding based on their headcount and the results they can deliver, regardless of whether they are private, public, or parochial. Most importantly, funding must not be denied to shelters that demand sobriety, counseling, job training, and impose curfews, as is currently the case.

## *Real action on mental health*

While many homeless people who suffer from mental illness will improve when they stop consuming drugs and alcohol, there will always be a proportion who have more serious conditions that require care in institutions that specialize in treating mental illness. To give these people the help they need, a number of things are necessary.

First, we need to substantially reform the Lanterman-Petris-Short Act, which makes it nearly impossible to involuntarily commit someone who is obviously mentally ill to a care facility. Second, California should apply for a waiver from the Medicaid IMD (Institution for Mental Disease) rules that will not reimburse care facilities for the treatment of mental illness that have more than 16 patients. It is not possible to adequately staff a facility that small because several full time specialists are necessary to offer the variety of services that mentally ill patients require. As previously noted, the process to obtain these waivers was streamlined under the Trump administration.



Finally, in March 2024 California voters approved Prop. 1, which authorized a \$6.4 billion bond to build “(1) more places for mental health care and drug or alcohol treatment and (2) more housing for people with mental health, drug, or alcohol challenges.” While this may sound like an encouraging development, a close reading of this ballot measure shows that it **sharply reduces funding to the counties for mental health services by diverting 30% of revenue from a dedicated tax passed in 2004 away from services** and into housing, likely forcing cuts to existing mental health programs.

The State Legislature needs to evaluate Prop. 1 and take whatever steps are possible to ensure it is implemented in a manner that maximizes the expansion of patient treatment. Otherwise it will fall prey to the same failures that Housing First policies and the Homeless Industrial Complex have wrought on California’s homeless population.

### *Eliminate the Homeless Industrial Complex*

The Housing First ideology, and its associated legislation and administrative action, has spawned a self-perpetuating industry that thrives as long as the homeless problem is never solved. This is the Homeless Industrial Complex. The State of California, along with cities and counties that are implementing homeless assistance funds, need to audit the nonprofits, the public bureaucracies, and the politically-connected developers that are receiving billions in taxpayer funds.

Even if Housing First rules are not reversed, there was never a prohibition on building inexpensive Recovery Shelters, accompanied by tailored services, as described. As public sentiment and official policy evolves to embrace congregate shelters and treatment, and reject the failed model of building expensive apartments and “tiny homes” that isolate the homeless while never housing more than a fraction of them anyway, the vested interests that have profited from the status quo will resist change.

It may be necessary to completely rebuild the institutional network that has received the vast bulk of taxpayer funds to date. Public officials may look to the successful privately funded shelters that have delivered a track record of good results helping the homeless. These can provide a model to expand and eventually give every homeless person in California a genuine opportunity to recover their lives and their dignity.

### *Longer term solutions*

While we recommend these immediate solutions designed explicitly to help California’s current homeless population, it remains important to recognize long term factors in the homelessness crisis that might benefit from wider policy interventions. In particular, as we cover in our policy paper “[Universal Housing Affordability](#),” there are steps California’s policymakers can take to make it possible again for private builders to make a profit while constructing homes that working families can afford. We have to lower the cost of housing, and there are specific, practical policies that can make that happen in California.

At the same time, we have to recognize that many homeless people have experienced childhood trauma that undermined their ability to cope with challenges later in life, challenges that someone with a healthier childhood environment would have been able to withstand. To help reduce the number of people in the next generation who might have the same difficulties, we have produced a policy paper "Parent Empowerment, A Human Way to Fight Poverty and Improve Life Chances." And for people who end up on the street after being released from prison, we offer the policy paper "Fighting Crime, Certainty of Punishment, Certainty of Rehabilitation," which includes recommendations for programs designed to reduce recidivism and improve the chances for released inmates to succeed instead of ending up homeless.

All this is to recognize that solving California's homelessness crisis is a multifaceted challenge. In this paper we recommend policies explicitly directed at solving the immediate problem. But in these related policy papers we offer ideas that address some of the larger issues and causes, in the hope that homelessness will not be a permanent problem but instead become less and less common as the underlying causes are minimized.

## Recommendations

- End Housing First Mandates: Pressure HUD to repeal federal Housing First rules and repeal California's SB 1380 (2016), freeing funds for more effective, results-driven approaches.
- Create a New Definition of Success and Create a Homeless System to Achieve It:
- Success must be defined beyond simply handing out keys to lifelong subsidized housing. A new standard should measure real recovery, improved health, self-sufficiency, and strengthened families and communities. Design a homeless system that actively tracks and drives progress toward these outcomes.
- Regularly Audit and Measure Outcomes of Homeless Providers: investigate public agencies, nonprofits, and developers to eliminate waste, fraud, and misuse of taxpayer dollars and require the reporting of outcomes to ensure success.
- Shift to Low-Cost Recovery Shelter model: replace the current focus on costly individual apartment units with group shelters tailored to different homeless populations, offering structured environments for recovery.
- Put a cap on the construction cost per bed of Recovery Shelters.
- Enforce Public Safety: Ban public camping and enforce new drug and property crime laws (Prop. 36), offering offenders a choice between treatment or incarceration.
- Recall prosecutors who will not prosecute drug and property crime offenders according to the new provisions approved by voters in November 2024 in Prop. 36.
- Pass and local ordinances that prohibit camping in public spaces and enforce them. Enact state legislation to implement and enforce similar prohibitions on state owned property. State enforcement action in every jurisdiction should be available as a backstop.
- Expand Mental Health Treatment: Repeal or reform the Lanterman-Petris-Short Act to allow involuntary commitment for the severely mentally ill. Apply to the federal government, as other states have already successfully done, for a waiver to revise Medicaid rules to fund mental health treatment institutions with more than 16 beds. Amend Prop 1 to ensure it prioritizes real treatment, not just housing.
- Ensure that the language of Prop. 1, approved by voters in November 2024, is interpreted and implemented in a manner that maximizes funding for actual treatment of the mentally ill.
- Ensure California's homeless families are counted and can access state resources: the federal government must require that each of its agencies aligns with the McKinney-Vento homeless definition to ensure that all people struggling with homelessness are included in the nation's homelessness count and have access to the available homeless resources.
- Recognize and implement additional policies (as noted above and outlined in earlier Golden Together policy papers) to remove more systemic causes of homelessness including lowering housing costs, reducing incidences of childhood trauma, and more effectively rehabilitating prison inmates.

## Conclusion

The degree to which homelessness has become a crisis in California is something that can be decisively corrected. We have learned what does not work, and we have offered in this report strategies that will not only get the vast majority of homeless people off the streets, but will recognize their humanity and prioritize getting them the treatments, therapies, training, and security they need to recover their independence.

Our recommendations center on two primary objectives. First, and most important, to replace the Housing First mandates with funding that offers equal or greater priority to results-oriented treatment. Second, to enact and enforce new laws and court decisions that provide authorities with the tools they need to make our streets safe again, and get crime and drug abuse under control.

In both of these goals a common theme is to impose accountability. This applies to the low-cost Recovery Shelter model we recommend, where every service provider must be held to cost-effective and results oriented standards. It applies to public officials, who should enforce the laws and court rulings that enable them to make sure homeless people with substance addiction and mental illness get treatment. And it applies to homeless people themselves, who will no longer be dismissed and patronized with what has been a tragically misguided notion of compassion, allowed to suffer from addiction, mental illness, and fall victim to criminal predators.

We recognize that the scope of this paper is limited to solving the acute problem of homelessness by implementing a new approach centered on treating the person - as distinct from the current approach which prioritizes the construction of “permanent supportive” housing. And while we are confident that this, more human approach will be far more effective in the short term, we also recognize that there are underlying contributing causes to homelessness, including childhood trauma, inadequate rehabilitation programs for inmates, and housing that has become barely affordable for all Californians. We address these issues in other policy papers, and acknowledge that in their resolution, any approach taken to directly solve California’s homeless crisis would face an easier path.

California, of all places, can do better. The solutions we offer are a practical combination of a belief associated with progressives - the community coming together to help people in need - with the common sense beliefs more usually ascribed to conservatives: individual accountability and public safety. In a state where spectacular innovation is a cultural expectation, we Californians can attack the homelessness crisis, and help its victims, with the same energy, optimism and focus on results that define so many magnificent accomplishments by our scientists and entrepreneurs.

With the dramatic shifts we recommend, it is possible for California’s homeless population to become productive citizens, leading healthy lives and enriching our society with their talents and contributions, and for a smaller and smaller proportion of California’s population to become homeless in the first place. We can and must end homelessness in California.

