

MHSA Policy & Funding Boot Camp

**California Mental Health Directors Association
March 15, 2012**

Mike Geiss

Fiscal Consultant

California Mental Health Directors Association

Molly Brassil

Associate Director, Public Policy

California Mental Health Directors Association

Outline of Today's Session

- Welcome
- Governor's Administration – Landscape Overview
- Uncertainties & Assumptions
- Fiscal Issues
- Community Planning Issues
- Questions & Answers



Uncertain Landscape – Multiple Change Factors in Play

- State Budget & Legislative Processes
- Administration's Proposal – TBL #601
- S.B. 1136 (Steinberg)
- Multiple Advocacy Efforts
- Transition of State DMH Functions
- 2011 Realignment
- Health Reform



Assembly Bill 100 (Committee on Budget – 2011)

- \$862 million one-time diversion of MHS funds to supplement insufficient GF revenues for existing mental health programs
- Made *significant* changes to funding distribution process
- Deleted DMH and OAC plan review/approval requirements
- Deleted authority for DMH to adopt emergency regulations to implement the Act

A.B. 100 Uncertainties

A.B. 100 left us with a certain level of ambiguity:

- Approval requirements deleted, submission requirement retained but without identified recipient
- Timeframe for development of 3-year integrated plan unclear
- DMH retains authority to establish requirements for content of plans, however the OAC is authorized to issue guidelines for PEI and INN expenditures (in lieu of plan review/approval)

Administration's Proposal for MHSA State-County Fiscal Relationship Starting in FY 12-13

- Designates County Board of Supervisors to approve plans
- Designates MHSOAC to receive approved plans to support evaluation efforts
- Repeals county performance contract
- Repeals requirement that the OAC develop guidelines for PEI and INN
- Repeals DMH role in annually informing counties of funds available for services
- Repeals state role in developing planning guidelines
- Appropriates \$60M to DPH for CRDP

S.B 1136 (Steinberg)

- Transfers various DMH functions to DHCS
- Creates Office of Health Equity
- Intends to clarify the procedures and terms of the MHSAs
- Intends to increase accountability and program effectiveness for publically funded mental health systems
- Intends to offer constructive opportunities for a more inclusive and comprehensive delivery system for individuals needing access to a full continuum of prevention and treatment services

Assumptions & Uncertainties

- Funding Distribution Process
- 3-Year Integrated Plan
- Existing Guidelines
- Technical Assistance
- Evaluation Activities

Fiscal Issues

❖ **Component Funding**

❖ **Reversion**

❖ **Prudent Reserve**

Component Funding – FY 11-12

- State published component allocations – *DMH Information Notice 10-21, Enclosure 4*
- 50% of component allocations distributed in August 2011
- Remaining 50% to be distributed beginning no later than April 30, 2012 (W&I Section 5892(j)(5)) – *Distributions in April, May and June*

Component Funding – FY 12-13

- Funds distributed on a monthly basis (W&I Code Section 5892(j)(5))
 - Unexpended and unreserved funds on deposit in the State MHS Fund at the end of the month are distributed by the 15th of the next month
- Counties will most likely receive one warrant (check) from the state
 - County responsible for ensuring compliance with W&I Code Section 5892(a)
 - 20% for Prevention and Early Intervention programs
 - Balance for Community Services and Supports (System of Care)
 - 5% of total funding shall be utilized for Innovative programs

Component Funding

- Two primary sources of deposits into State MHS Fund
 - 1.76% of all monthly personal income tax (PIT) payments (Cash Transfers)
 - Annual Adjustment based on actual tax returns
 - Settlement between monthly PIT payments and actual tax returns
- Other sources of deposits
 - Interest income (posted quarterly)
 - Excess State Administration (unauthorized and unexpended)
 - Reverted funds

Component Funding

- Cash Transfers are largest in months with quarterly tax payments and year end tax payments
 - January, April, June and September
- Annual Adjustments are incredibly volatile
 - Two year lag
 - Known by March 15th
 - Deposited on July 1st

Component Funding

MHSA Estimated Revenues^a
(Cash Basis-Millions of Dollars)

| | Fiscal Year | | | | | | | | | |
|-------------------|------------------|------------------|------------------|------------------|----------------|------------------|------------------|------------------|------------------|--|
| | Actual | | | | Estimated | | | | | |
| | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 | 13/14 | 14/15 | 15/16 | |
| Cash Transfers | \$983.9 | \$797.0 | \$799.0 | \$905.0 | \$945.0 | \$1,004.0 | \$1,052.2 | \$1,094.3 | \$1,160.0 | |
| Annual Adjustment | \$423.7 | \$438.0 | \$581.0 | \$225.0 | (\$64.5) | \$112.0 | \$206.0 | \$250.0 | \$325.0 | |
| Interest | \$84.4 | \$57.6 | \$14.9 | \$9.7 | \$2.4 | \$1.3 | \$0.0 | \$0.0 | \$0.0 | |
| Total | \$1,502.0 | \$1,292.6 | \$1,394.9 | \$1,139.7 | \$882.9 | \$1,117.3 | \$1,258.2 | \$1,344.3 | \$1,485.0 | |

^a FY12/13 Governor's Proposed Budget; cash transfers and interest through FY12/13 and annual adjustment through 13/14

Component Funding

MHSA Estimated Component Funding
(Millions of Dollars)

| | Fiscal Year | | | | | | | | |
|-------------------------|----------------|----------------|------------------|------------------|----------------|------------------|------------------|------------------|------------------|
| | Actual | | | | | Estimated | | | |
| | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 | 13/14 | 14/15 | 15/16 |
| CSS | \$518.2 | \$650.0 | \$900.0 | \$783.6 | \$741.0 | \$939.5 | \$971.3 | \$1,037.8 | \$1,146.4 |
| PEI | \$115.0 | \$232.6 | \$330.0 | \$216.2 | \$185.2 | \$234.9 | \$242.8 | \$259.4 | \$286.6 |
| Innovation ^a | | \$71.0 | \$71.0 | \$119.6 | \$48.7 | | | | |
| Total | \$633.2 | \$953.6 | \$1,301.0 | \$1,119.4 | \$974.9 | \$1,174.4 | \$1,214.2 | \$1,297.2 | \$1,433.0 |

a: 5% of the total funding must be utilized for innovative programs (W&I Code Section 5692(a)(5))

Component Funding

- CMHDA in consultation with Dept. of Finance will develop a proposed three year individual county distribution schedule
 - Percentage of total deposits to be distributed to each county
 - Take into account changes in resources, population, poverty, small county needs and other variables
 - Anticipate updating every three years

Component Funding

- Counties will account for funds deposited in their local MHS Fund consistent with statute and guidance from State Controller's Office
 - Expenditures determined (and probably certified) based on local Auditor-Controller interpretation of statute and SCO guidance
 - Expenditures must be consistent with a plan (W&I Code Section 5892(g))
 - Annual Revenue and Expenditure Report used for evaluation

Reversion

- Counties have three years to spend funds for their authorized purpose before the funds revert (W&I Code Section 5892(h))
 - 10 years to spend funds for capital facilities, technological needs or education and training
 - Does not include funds dedicated to the prudent reserve

Reversion

- Counties will most likely self report reverted funds
 - Report to SCO funds that were not expended within time period allowed in statute
 - SCO would offset subsequent distribution to county
 - Counties may want to wait until after Medi-Cal cost report audit to report reverted funds

Prudent Reserve

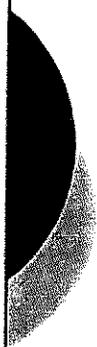
- Counties are required to establish and maintain a prudent reserve to ensure the county can continue services in years in which revenues are below recent averages (W&I Code Section 5847(b)(7))
- Counties can include an allocation of funds from their prudent reserve in years in which there is not adequate funding to continue to serve the same number of individuals as in the prior year (W&I Code Section 5847(f))

Prudent Reserve

- In any year after FY07/08, CSS programs may include funds for technological needs and capital facilities, human resource needs, and a prudent reserve to ensure services do not have to be significantly reduced in years in which revenues are below the average of previous years (W&I Code Section 5892(b))
 - Limited to 20% of the average amount of funds allocated to a county for the previous five years

Prudent Reserve

- Counties should conform to statutory requirements when dedicating funds to, or accessing funds from, their local prudent reserve



Your Community Planning Process in This New Fiscal Environment



Assumptions & Uncertainties

- Funding Distribution Process – *Current statutory language links distributions to plans which conflicts with continuous appropriation*
- 3-Year Integrated Plan – *Questions around timeframe, state role in establishing requirements for the content of the plans*
- Guidelines – *Authority, role, implications of Admin's proposal for existing guidelines*
- Technical Assistance
- Evaluation Activities

Proposed Distribution Snapshot

- MHS Funds will be deposited in the local MHS accounts on a monthly basis
- Distribution amount will be based on the formula developed by DOF in consultation with CMHDA
- Distributions will be deposited in a lump sum, not by component
- Counties will need to categorize funds within the local account based on percentage requirements established in the Act
- The 3-year integrated plan, developed in accordance with established stakeholder engagement requirements, forms basis for local expenditures

3-Year Integrated Plan & Annual Update

- The Act requires that counties develop a 3-year plan for prevention, innovations and system of care services (W&I 5847).
- The Administration's Proposal repeals the Dept.'s role in establishing requirements for the content of the plans.
- The Administration's Proposal repeals the OAC's role in developing guidelines for PEI and INN expenditures.
- Assuming the Administration's Proposal is adopted, counties should develop their plans to include the elements outlined in the Act (W&I 5847), and in accordance with established stakeholder process requirements (W&I 5848).



Required Elements of 3-Year Integrated Plan & Annual Update (W&I 5847)

- 1) A program for Prevention & Early Intervention
- 2) A program for services to children, including a wrap-around program (*exceptions apply*)
- 3) A program for services to adults and seniors
- 4) A program for Innovations
- 5) A program for technological needs and capital facilities



Required Elements of 3-Year Integrated Plan & Annual Update (W&I 5847)

- 6) Identification of shortages in personnel and the additional assistance needs from education and training programs
- 7) Establishment and maintenance of a prudent reserve
- 8) Reports on the achievement of performance outcomes (W&I 5848)
- 9) Summary and analysis of recommended revisions (W&I 5848)

Established Stakeholder Process for Development of 3-Year Integrated Plan & Annual Update (W&I 5848)

- Each plan and update shall be developed with local stakeholders, including adults & seniors with severe mental illness, families of children, providers of services, law enforcement agencies, education, social services agencies and other important interests.
- A draft plan and update shall be prepared and circulated for review and comment for at least 30 days to representatives of stakeholder interests and any interested party who has requested a copy of such plans.

Established Stakeholder Process for Development of 3-Year Integrated Plan & Annual Update (W&I 5848)

- The mental health board shall conduct a public hearing on the draft plan/annual update at the close of the required 30-day comment period.
- Each adopted plan and update shall include any substantive written recommendations for revisions.
- The adopted plan or update shall summarize and analyze the recommended revisions.
- The mental health board shall review the adopted plan or update and make recommendations to the county mental health department for revisions

CMHDA Proposed MHSA Funding Distribution Matrix for FY 12-13 through FY 14-15

- 1) Department of Finance (DOF) completes annual reconciliation of State Mental Health Services Fund. *Timeframe: March*
- 2) DOF releases updated Mental Health Services Fund Condition Statement in May Revision. *Estimated timeframe: May*
- 3) Each county mental health program shall prepare, in accordance with established stakeholder engagement and planning requirements, and submit a three year plan or annual update, adopted by its Board of Supervisors, to the state Mental Health Services Oversight and Accountability Commission. *Estimated timeframe: June**

* It is not anticipated that counties will have 3-year integrated plans in place at the start of FY 12-13. CMHDA proposes that the annual update for FY 11-12 serve as a placeholder for the integrated 3-year plan to allow counties time in FY 12-13 to engage local stakeholders in a planning process to develop the 3-year integrated plan.

Proposed Distribution Matrix Cont.

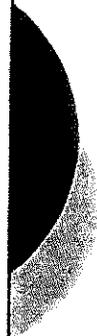
4. County three year plans and the annual updates may be modified by the county based on the state MHS fund balance estimates provided by the Department of Finance. County Plans and annual updates are developed based on the state fund balance estimates and the local MHS fund balance and reserves. *Estimated timeframe: June.*
5. The total unreserved/unexpended funds available are distributed to counties by the State Controllers Office (SCO) in accordance with the formula developed by DOF in consultation with CMHDA. Funds are distributed accordingly on or before the 15th day of each month to the counties by the SCO. *Timeframe: July*

Proposed Community Planning Process Matrix

- 1) County prepares for program planning based on both the state MHS fund condition as outlined in Governor's budget and May Revision, and also the local MHS fund condition (i.e. prudent reserve, funds to revert, CF/IT, etc.)
- 2) County initiates process to develop 3-year integrated plan for 12-13 through 14-15 – various component plans are integrated into one plan, much like this year's proposed annual update process
- 3) County engages stakeholders as outlined in the established process
- 4) County posts plan for 30 day local public review

Proposed Community Planning Process Matrix

- 5) The local mental health board conducts a public hearing on the draft plan/update at the close of the required 30-day comment period.
- 6) County adds a summary and analysis of substantive recommendations for revisions to the plan.
- 7) The mental health board shall review the adopted plan or update and make recommendations to the county mental health department for revisions.
- 8) County submits the adopted plan to the Board of Supervisors for approval.
- 9) The approved plan is sent to the OAC.



Questions?



Contact Information

Molly Brassil, Associate Director, Public Policy
California Mental Health Directors Association
(916) 556-3477, ext. 152 or mbrassil@cmhda.org

Don Kingdon, Deputy Director
California Mental Health Directors Association
(916) 556-3477, ext. 120 or dkingdom@cmhda.org