



MHSA Revenue Operational Guidance

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Purpose The purpose of this operational guidance is to outline the California Department of Health Care Services (DHCS) Mental Health Services Act (MHSA) fiscal requirements for local mental health service funds, and to specific Department of Behavioral Health practices to ensure adherence to said requirements.

Definition(s) **Prudent Reserve:** MHSA funds set aside to be used in the event of an economic downturn.

Supplantation: Replacement of non-MHSA funds with MHSA funds.

Overview The San Bernardino County Department of Behavioral Health (DBH) adheres to the statutes, requirements and legislative intent of the Mental Health Services Act (MHSA) to establish and manage the Local Mental Health Services Funds according to the requirements, which include establishing and maintaining a Prudent Reserve Fund; following the guidance for Non- Supplantation; and investing the Local Mental Health Services Funds in a manner consistent with other county funds and the interest earned on the investments shall be transferred into the fund.

Financial Practices **Prudent Reserve Fund** Welfare and Institution Code (WIC) section 5847(b)(7) requires the establishment and maintenance of a prudent reserve to ensure the county program will continue to be able to serve during years in which revenues for the Mental Health Services Fund are below recent averages adjusted by changes in the state population and the California Consumer Price Index. Additionally, WIC section 5892(b)(2) requires that a county calculate an amount it establishes as the prudent reserve for its Local Mental Health Services Fund, not to exceed 33 percent of the average community services and support (CSS) revenue received for the fund in the preceding five years. The county shall reassess the maximum amount of this reserve every five years and certify the reassessment as part of the three-year program and expenditure plan.

To comply with the above requirements, DBH has established and maintained a Prudent Reserve Fund, and DBH will determine the maximum not to exceed amount every five years by multiplying the average CSS revenue received in the preceding five years by 33 percent and then make



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the necessary adjustment to the Prudent Reserve Fund and include the related certification in the three-year program and expenditure plan.

Non-Supplant Policy

WIC § 5891(a) requires that these funds shall not be used to supplant existing state or county funds utilized to provide mental health services.

To comply with the above requirement, DBH verifies that MHSA reimbursements are consistent with the following three requirements:

- Use for programs/activities authorized by WIC § 5892, including:
 - Education and Training
 - Capital Facilities and Technology
 - Prevention and Early Intervention
 - Children and Transition Age Youth, Adults, and Older Adults (defined CSS within DBH)
 - Innovation
 - Local Planning
 - Administration
- Non-use for replacement of other state or county funds intended to be used to provide mental health services following the November 2004 MHSA enactment.
- Use for programs/activities that were non-existent in the county at the time of November 2004 MHSA enactment (i.e., “new programs”); or to expand the capacity of existing programs/services being provided at the time, or prior to, November 2004 MHSA enactment.

Investment Practices

WIC § 5892(f) requires that the Local Mental Health Services Fund balance shall be invested consistent with other county funds and the interest earned on the investments shall be transferred into the fund. The earnings on investment of these funds shall be available for distribution from the fund in future fiscal years.

- To comply with the above requirement, DBH’s Local Mental Health Service Fund balance is included in the San Bernardino County Treasury Pool, which consists of the pooled monies held on behalf of the County, school districts, community college districts and certain special districts within the County, and it is the policy of the County to invest public funds in a manner that will provide high investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds. Per the County’s Investment Policy Statement, this policy shall apply to all investments held within the County Treasury Pool, with exception of certain bond funds. Additionally, DBH verifies the application of the interest transfer into the Local Mental Health Services Fund using



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the monthly summary of portfolio performance and the quarterly reports from Auditor-Controller/Treasurer/Tax Collector.

Reference(s)

MHSUDS Information Notice No: 19-037, Dated August 14, 2019, [Prudent Reserve Funding Levels](#)

<https://www.dhcs.ca.gov/services/MH/Documents/MHSUDS-Information-Notice-19-037-Prudent-Reserve-Maximum-Funding-Levels.pdf>

DMH Letter No: 05-04, Dated July 18, 2005, [Mental Health Services Act – Non-Supplantation](#)

<https://www.dhcs.ca.gov/formsandpubs/MHArchiveLtrs/MH-Ltrs05-04.pdf>

Office of the Auditor-Controller/Treasurer/Tax Collector County of San Bernardino, Dated June 23, 2015, [Treasurer’s Statement of Investment Policy](#)

https://www.sbcounty.gov/atc/DBMFiles/2014InvestmentPolicy_52475762314.pdf

County of San Bernardino Board Agenda Item, Dated June 22, 2021, [Treasure’s Statement of Investment Policy](#)

[https://www.sbcounty.gov/atc/DBMFiles/210622%20BAI-22%20-%20Treasurer%20Statement%20of%20Investment%20Policy%20\(002\)_02419711621.pdf](https://www.sbcounty.gov/atc/DBMFiles/210622%20BAI-22%20-%20Treasurer%20Statement%20of%20Investment%20Policy%20(002)_02419711621.pdf)
