

- Each county should maintain the 50 percent prudent reserve at the local level and fully fund the prudent reserve by July 1, 2010, unless the county would have to reduce MHSA services below those funded in FY 2007-08 (including services funded with the FY 2007-08 CSS augmentation and CSS administration) in order to reach the 50 percent prudent reserve
 - A county that cannot attain the 50 percent prudent reserve requirement by July 1, 2010, because services would have to be reduced should dedicate future increases in CSS Planning Estimates to the local prudent reserve until the 50 percent level is met prior to increasing service levels beyond those funded in FY 2007-08 through expanded existing programs or new programs.
- MHSA funds dedicated to a local prudent reserve can only be accessed in accordance with WIC Sections 5847(a)(7) and 5847(f). A county will be able to access these funds only with DMH approval.

Budget Update

- February, 2009: Governor signed the FY 09/10 budget
 - This budget included 6 measures, requiring voter approval, yielding 5.5 million
 - Propositions 1A-F part of strategy to close previous deficit
 - Since then deficit has grown due to revenue losses and increasing caseload driven cost increases as result of global recession
- May 14, 2009: The Governor released 2 versions of the May Revision
 - Version 1 —assumes passage of propositions (\$15.4B Deficit)
 - Version (Contingency Plan)—assumes propositions failed (\$21.3B)
- May 19, 2009: Special Election
 - 5 propositions rejected by voters
- New Developments
 - Budget deficit increased to 24 billion
 - State Controller urges the Governor and Legislative leaders to reach a deal for closing the deficit by June 15, 2009
 - State Controller states that California will run out of cash by late July, 2009

Recommendation

Recommendations will be developed after the June 22, 2009 Mental Health Funding & Policy Committee Meeting.

X INFORMATION

TAB SECTION: 2

___ ACTION REQUIRED

DATE OF MEETING: 6/25/09

PREPARED BY: Lowder, Hood

DATE MATERIAL PREPARED: 6/15/09

AGENDA ITEM: Budget Update: Presentation regarding Reserve Issues

ENCLOSURES: • None

OTHER MATERIAL RELATED TO ITEM: Handouts will be brought to the meeting

ISSUE:

The Mental Health Funding and Policy Committee will provide a presentation at the June 2009 Commission meeting on the policy issues related to prudent reserves. This presentation will discuss current policies, funding recommendations and a timeline for developing future funding policies.

The Mental Health Funding and Policy Committee will provide ongoing updates regarding the current state of the budget issues in California and their impact on mental health services and on county prudent reserves.

BACKGROUND:

Prudent Reserves

Statute

Welfare and Institutions Code (WIC) Section 5847(a)(7) requires that the local plan includes “establishment and maintenance of a prudent reserve to ensure the county program will continue to be able to serve children, adults and seniors that it is currently serving pursuant to Part 3 (Adult and Older Adult Systems of Care) and Part 4 (Children’s System of Care) during years in which revenues for the Mental Health Services Fund are below recent averages adjusted by changes in the state population and California Consumer Price Index.”

WIC Section 5847(f) states that a county mental health program shall include an allocation of funds from a reserve established pursuant to paragraph (6)¹ of subdivision (a) for services pursuant to paragraphs (2)² and (3) of subdivision (a) in years in which the allocation of funds for services pursuant to subdivision (c) are not adequate to continue to serve the same number of individuals as the county had been serving the previous fiscal year.

DMH Information Notice 07-25

- A level of 50 percent of the most recent annual approved CSS funding level should be set aside as the required prudent reserve amount.

¹ Paragraph (6) of Subdivision (a) is identification of shortages in personnel to provide services

² Paragraphs (2) and (3) of subdivision (a) are Children’s System of Care and Adult and Older Adult System of Care