

X INFORMATION

TAB SECTION: 3

___ ACTION REQUIRED

DATE OF MEETING: 7/06/11

PREPARED BY: Hoffman/Hood/ Lee DATE MATERIAL PREPARED: 6/30/11

AGENDA ITEMS: Prudent Reserve Policy Report

ENCLOSURES: Prudent Reserve Policy PowerPoint Report

OTHER MATERIAL RELATED TO ITEMS: None

Issue:

- AB 100 set out a change in roles and responsibilities, with the clear intent of providing more flexibility for counties. Because of this change in roles, DMH eliminated the limitations on the funding level of Prudent Reserves. On April 8, 2011 DMH issued DMH Information Notice NO.:11-05 implementing this policy.
 1. The 50 percent Local Prudent Reserve requirement/limitation has been rescinded.
 2. WIC Section 5892 (b) permits a County to use up to 20 percent of the average amount of CSS funds allocated to that county for the previous five years to fund for technological needs and capital facilities, human resource needs, and a Prudent Reserve.
- Key Questions and Implications:
 1. What are the goals of the reserves requirement?
 2. Is the new policy adequate to meeting the goal?
 3. What is the role of the OAC in this revised environment?
 4. When should this revised policy be evaluated for effectiveness?

Background:

- Welfare & Institutions Code (WIC) Section 5847(b) (7) requires each county to establish and maintain a prudent reserve to ensure that in years in which revenues for the MHS Fund are below recent averages the county will be able to continue to serve children, adults and seniors that it had been serving through Community Services and Supports (CSS) (Systems of Care) and Prevention and Early Intervention (PEI).
- DMH, in consultation with the MHSOAC and California Mental Health Directors Association (CMHDA) adopted the following Prudent Reserve policies which were in effect prior to FY10/11.
 1. 50 percent of the most recent annual approved CSS and PEI funding level should be set aside as the required Prudent Reserve amount.

2. Each county should maintain the 50 percent prudent reserve at the local level and fully fund the prudent reserve by June 30, 2011, unless the county would have to reduce CSS or PEI below those funded in FY 2007-08 in order to reach 50 percent Prudent Reserve level.
- Effective FY 10/11, DMH found that statewide economic conditions were met, allowing counties to access their Prudent Reserve.