

AGENDA ITEMS: Mental Health Funding and Policy Committee

- **State Budget Update**
- **Recommendations on Prudent Reserve Policy**

ENCLOSURES: None

OTHER MATERIAL RELATED TO ITEMS:

The following handouts will be available at the meeting.

- 2011/12 State Budget Update PowerPoint Report
- Prudent Reserve Policy PowerPoint Report
- Prudent Reserve Balances as identified through the Annual Updates Fiscal Years 2009/10 - 2010/11

I. STATE BUDGET UPDATE

Presentation by Don Kingdon, Deputy Director, California Mental Health Directors Association (CMHDA)

On June 30, 2011 the Governor enacted the Fiscal Year (FY) 2011/12 state budget. Don Kingdon, Deputy Director of the CMHDA will provide an update on the state budget from the counties' perspective.

FY 2011/12 State Budget overview to be covered by the presentation:

- Four major actions on "AB 3632" and County Mental Health role
- Transfer of Department of Mental Health (DMH) and Department of Alcohol and Drug Programs (ADP) Medi-Cal functions to Department of Health Care Services (DHCS)
- Realignment Funding for Mental Health as part of the Public Safety Realignment

II. RECOMMENDATIONS ON PRUDENT RESERVE POLICY

Presentation by Commissioner Andrew Poat

Issue:

Assembly Bill (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, the Department of Mental Health (DMH) eliminated the policy requirements and limitations on the funding level of Prudent Reserves. On April 8, 2011 DMH Information Notice NO.:11-05 was issued which rescinded the 50 percent Local Prudent Reserve requirement/limitation.

The Mental Health Funding and Policy Committee had a discussion on July 6, 2011 regarding Prudent Reserve and developed the recommendations and proposed motion presented here.

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) 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, DMH Information Notice NO.: 09-16, which were in effect prior to FY 2010/11.

- 50 percent of the most recent annual approved CSS and PEI funding level should be set aside as the required Prudent Reserve amount.
- 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 2010/11, DMH found that statutory statewide economic conditions were met, allowing counties to access their Prudent Reserve as described in DMH Information Notice NO.:10-01.

Recommendations:

The Mental Health Funding and Policy Committee shall:

1. Develop strategies to monitor the local Prudent Reserves and other allowable transfers from CSS by:
 - the level and amount of funds deposited and withdrawn from the local Prudent Reserves by year and by county
 - the amounts of CSS funds transferred to Capital Facilities and Technological Needs (CF/TN) and Workforce Education and Training (WET)
2. Provide a report to the Commission in summer of 2014 on local Prudent Reserves and other transfers from CSS.

PROPOSED MOTION:

1. ***The MHSOAC adopts the Mental Health Funding and Policy Committee’s recommendations on Prudent Reserve Policy as described above.***