



Mental Health Funding & Policy Committee Report: Revised Prudent Reserve Policy

July 28, 2011

1



Overview

- o **Why Prudent Reserves**
- o **Previous DMH Policies**
- o **Policy & Statutory Changes**
- o **Status: Local Access of Prudent Reserve**
- o **Committee Recommendations**
- o **Proposed Motion**

2

● ● ● | Why Prudent Reserves

- MHTSA requires local prudent reserve. (WIC 5847(b)(7).)
- Purpose: address volatility associated with MHTSA funding source.
- Mechanism: Funds deposited and accessed through county plan/update.
 - Maximum annual deposits are specified.
- Economic conditions must be met for access.

3

● ● ● | Why Prudent Reserves

Example of Fund Volatility--Comparison of Recent Component Allocations

	CSS	PEI
❖ FY 09-10	\$897 M	\$376 M
❖ FY 11-12	\$741 M	\$231 M
❖ Reduction	-17.4%	-38.6%

4

● ● ● | Previous DMH Policies

- 50% Reserve for direct service programs
 - Community Services & Supports (CSS)
 - Prevention & Early Intervention (PEI)
- No requirement for non-service programs
 - Administration
 - Capital facilities & Information Technology
 - Employment & Training
- Timeline— June 30, 2011
- Requirement suspended for FY 10/11 due to statewide economic conditions

5

● ● ● | Statutory & Policy Changes

- **AB 100**
 - **Prudent reserve requirements remain unchanged**
 - Annual deposits limited (maximum 20% of the previous 5 years average CSS funding for Prudent Reserve, WET and CF/TN)
 - Uses of funds only to maintain existing CSS and/or PEI services
 - **State plan review and approval terminated**
- **DMH**
 - **Requirement/limit of 50% no longer applies**

6

● ● ● | **Status**

- **The vast majority of counties have established & funded**
- **Five counties have accessed to date:**
 1. **Imperial County: FY 10-11**
 2. **Glenn County: FY 11-12**
 3. **Orange County: FY 11-12**
 4. **Solano County: FY 11-12**
 5. **Tuolumne County: FY 11-12**

7

● ● ● | **Committee Discussion**

1. **We do not yet have a meaningful track record by which to evaluate effectiveness of “Prudent Reserve” policy – with impact of current revenue reductions not yet fully transparent due to**
 - **“start-up” program balances and**
 - **long revenue cycle issues.**
2. **Prudent Reserve policy properly emphasizes local control – and will require adjustment of MHSOAC oversight roles.**

8



Committee Recommendations

The Funding and Policy Committee shall:

- Develop strategies to permit oversight of prudent reserves consistent with AB 100 policy changes
 - Local Prudent Reserve levels by county
 - Use of Prudent Reserves
- Provide a report to the Commission in summer of 2014 that includes experience with the current recession and termination of program start-up account balances

9



Proposed Motion

OAC directs the Funding and Policy Committee to:

- Develop prudent reserve oversight strategies consistent with AB 100 policy changes
 - Monitor Local Prudent Reserve levels by county
 - Use of Prudent Reserves
- Provide a report to the Commission in summer of 2014 that includes experience with the current recession and termination of program start-up account balances

10