

X INFORMATION

TAB SECTION: 4

___ ACTION REQUIRED

DATE OF MEETING: 5/23/11

PREPARED BY: Hoffman/Hood/ Lee

DATE MATERIAL PREPARED: 5/20/11

AGENDA ITEMS: Framing Issues on Prudent Reserve for the July Committee Meeting

ENCLOSURES: Prudent Reserve Policy Update

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 Because of this change in roles DMH has rescinded the Prudent Reserve requirement of 50% allowing counties to fund the required Prudent Reserve to a level the county determines is appropriate, even if this amount exceeds or is less than the previously required 50 percent level. This policy change was facilitated through DMH Information Notice NO.:11-05 and is effective April 8th, 2011

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 FY 10/11:

- 50 percent of the most recent annual approved CSS and PEI (excluding statewide 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 (System of Care) or PEI below those funded in FY 2007-08 in order to reach the 50 percent Prudent Reserve level.