

**X INFORMATION**

**TAB SECTION: 3**

**\_\_\_ ACTION REQUIRED**

**DATE OF MEETING: 3/24/11**

**PREPARED BY: Hoffman/Hood/Lee**

**DATE MATERIAL PREPARED: 3/7/11**

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**AGENDA ITEMS:** Discuss State Budget Update

- ENCLOSURES:**
- Department of Finance Memo
  - Proposed Conference Compromise Summary
  - Proposed Conference Compromise Detail Sheet
  - Proposed Conference Compromise: State Administrative Cap at 3.5 Percent for MHSA Funds
  - MHSOAC Principles Regarding Governor's Proposed Fiscal Year (FY) 2011/12 Budget Impact on Mental Health Services Act (MHSA)

**OTHER MATERIAL RELATED TO ITEMS:** None

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**Issue:**

Review and discuss state budget update and Mental Health Services Act (MHSA) state administration funding.

**Background:**

On February 1, 2011 an action was taken by the Senate and Assembly Budget Subcommittees that would reduce the Mental Health Services Fund (MHSF) administrative spending. This action would reduce the administrative spending from 5 percent to 3.5 percent. This action would result in the reduction of multiple positions from the Department of Mental Health (DMH) and other state departments that have positions funded through the MHSA. The Subcommittees recommended that the Mental Health Services Oversight and Accountability Commission (MHSOAC) be held harmless and the MHSOAC would continue to provide oversight, accountability and evaluation.

On or approximately February 17<sup>th</sup> the California Department of Finance (DOF) released the attached letter laying out the Administration's plan on how to streamline state oversight of the Mental Health Services Act. This letter also called for a reduction in the MHSF administrative spending. However the DOF letter did not hold the MHSOAC harmless. The DOF letter proposed that the MHSOAC would be reduced by 12 positions and that evaluation of the MHSA would be transferred to DMH. The DOF proposal eliminated plan review at DMH and the MHSOAC. The DOF proposal would result in the reduction of 143.2 positions from DMH, MHSOAC and other state departments. Attached for your reference is a copy of the DOF letter which provides more details.

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On February 23, 2011 a Proposed Conference Compromise Summary was released with recommendations of a compromise between the prior Legislative action and the DOF letter. This compromise further reduced positions at DMH and reinstated positions to other state departments which had been eliminated in the DOF letter. Plan review would be eliminated and evaluation would return to MHSOAC. This proposal also shifted \$1 million dollars from DMH to the MHSOAC for ongoing MHSA evaluations. This compromise also held the MHSOAC harmless resulting in no reductions for the MHSOAC. Attached for your reference is a copy of the Proposed Conference Compromise Summary. This attachment contains the summary, the detail sheet and the proposed administrative cap information.

The budget process is still fluid and changes may continue to alter the structure of DMH and the MHSOAC. Trailer bill language is being crafted that will clarify these reductions and determine the responsibilities of DMH and the MHSOAC.

Realignment discussions continue in an effort to determine a process for the distribution of the \$861 million MHSA funds. These discussions include protections to ensure adequate funds for 2011 realigned mental health services. The California Mental Health Directors Association will be presenting information on this topic at the meeting.