State Budget Update

Not Just a Budget but a Policy Shift

Local Governance with
Focused State Oversight

Presented By:
The California Mental Health Directors Association (CMHDA)

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Overview of Budget Proposals, Status and Implications

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Executive Director, CMHDA

Timeline and Flow

What's Next

State Budget & Constitutional Amendment language voted on by the full Assembly & Senate.

Governor signs.

Constitutional Amendment language to Secretary of State for June 7 special election.

June 7 special election.

- Extension of taxes for five years
- Constitutional amendment for realignment

Development of implementing state statutes for Realignment.

VOTES NEEDED

- ***Budget***: *Majority vote*
- ***TBL***: *Majority vote*
- ***Realignment/constitutional language to ballot***: *2/3 vote*

2011-12 Proposed Budget Highlights

- State Budget deficit is estimated at $26.6 billion.
- Half of the Democrat's budget contains $12.5 billion in cuts (mostly health, social services, and higher education programs).
- The other half is linked to Governor's proposal to ask voters to extend about $11 billion in temporary tax increases due to expire this year.
- Protects K-12 education.
- $1.1 billion State General Fund reserve.

Budget Trailer Bills on the Governor's Desk

- Over $6 billion in Health and Human Services Spending Cuts has been approved by the Legislature and awaiting the Governor's Signature
- All budget bills have cleared both houses except:
  - Constitutional Amendment to extend tax rates and implement Realignment
  - Special Election
  - Elimination of Redevelopment Agencies
  - Raise various other tax revenues

2011-12 Health & Human Services Budget Reductions are Significant

Individuals and Families Living with Mental Health Challenges will be deeply impacted

- SSI/SSP
- CalWORKs
- Child Care
- ADHC
- Healthy Families
- Child Welfare Services
- Medi-Cal
- IHSS
- Prop. 10 (First 5)
- County Veterans Service Officers

What if June Ballot Measure Doesn't Pass?

- Realignment proposal does not occur.
- Approximately **$6 billion** in additional state budget reductions to balance the state budget.
- Budget reductions to K-12 education likely.
- Additional reductions to health and human services likely.
- $861 million MHSA diversion will occur anyway, but loses the Realignment "cover" that a new revenue source will bring added funds to the community mental health system.

MHSA Redirection of $861M for FY 2011-12

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CMHDA's MHSA Redirection Proposal

Advocated for "Least Harm" Approach

- Loan to the State General Fund
- Sequential steps for taking funds from the MHS Fund and distributing to counties for the realigned programs and MHSA component allocations for FY 2011-12
- Consult with counties on a formula for distribution
- Exclude AB 3632
- Move to monthly deposit transfers to counties for MHSA funding by July 1, 2012 because MHS Fund will be depleted, and
- Flexibility on prudent reserve policies

Legislative Action in SB 76/AB 100

Final Language Awaiting the Governor's Signature

- Justifies 2/3 vote stating that changes are consistent with, and further the intent of the MHSA, due to the state's fiscal crisis and need to fund essential mental health services.
- Funds Diverted for State General Fund (SGF) obligations will:
  - Not to be repaid
  - Not to exceed $861M
  - Diversion language will be inoperable as of July 1, 2012

$861M MHSA Redirection

July 1, 2011

$183.6 M
for Specialty MH Medi-Cal Managed Care

$98.5 M
for Educationally-Related Mental Health Services

Approximately half of FY 11-12 CSS, PEI, INN (not to exceed $488M) beginning in August with the remainder to be paid no later than April 30, 2012

Quarterly distributions totaling $579 M
for EPSDT

July 1, 2012

MHS Fund distributions will be "pay as you go" accrual approach, rather than cash basis.

CMHDA's Next Steps

- Identify a process for developing principles for fund distribution of EPSDT, Medi-Cal and Educational-Related Mental Health funds for FY 2011-12.

- Seek administrative efficiencies and flexibility on prudent reserve policies, providing needed discretion to sustain service obligations. Counties will be $80M (10% short) of expected MHSA FY 2011-12 allocations.

REDUCTION TO MHSA STATE ADMINISTRATIVE EXPENDITURES

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MHSA State Administration Expenditures Reduced to 3.5%

- Legislative Budget Committee reduced 5% cap to 3.5% and held the MHSOAC Harmless
- Administration responded with a proposal consistent with the budget proposal to realign mental health services to counties

<u>Key Goals:</u>

- Streamline and improve efficiency
- Significantly reduce state administrative support (by $30M including 143 personnel) for local implementation and direct more MHSA funding to county mental health programs
- Clarify state roles in evaluation and program monitoring

Budget Conference Committee Compromise

- Eliminate DMH and OAC county plan review and approval
- OAC will take the lead on evaluation efforts
- State admin funding: totals $22M with $10M more now available for local MHSA services
- 67 state personnel remain
- Few MOUs with other state agencies remain including those for the Veterans Affairs, DDS, CDE and Community Colleges
- Elimination or reduction of some contracts

Legislative Action in SB 76/AB 100

Final Language Awaiting the Governor's Signature:

- Changes to the state role are ***"surgical"*** or very ***"minimal"*** to implement budget conference committee compromise

- Act is an urgency statute and will take immediately upon signature of the Governor

Efficient Fund Distribution: A State and Local Benefit

- Supports MHSA cash flow
  - Funds flow for services at the local level based on an approved annual plan which is linked to the performance contract.
- Builds upon existing systems for fiscal accountability
  - The local MHS fund is subject to all government accounting requirements and oversight by the county controller, including audit verification and state controller reporting requirements.

Administrative Relief for State but Not Necessarily for Counties

- Continues requirement for counties to develop and submit annual 3-year plans that comply with all statutory provisions, from local planning to allowable expenditures and performance requirements.
- Maintains the requirement that DMH contract with counties through the annual performance contract.
- If counties are not in compliance with the contract, DMH may request a plan of correction with a timeline to achieve improvements.
- The MHSOAC may refer critical issues of county performance to DMH for resolution.

SB 76/AB 100 – Unresolved Issues

Removal of plan approval authority at the state level does not reduce administrative burdens for counties and contractors.

Current reporting requirements are not resulting in timely performance outcome data and streamlined program compliance monitoring.

How are these goals, which are the stated goals of the Administration, going to be met?

SB 76/AB 100 – Unresolved Issues

SB 76/AB 100 justifies the redirection of $861M in MHSA funds to, *serve individuals with severe mental illness and the most vulnerable, medically needy citizen of the state*, while still maintain MHSA funded services and programs.

How will flexibility be provided?

Will current and proposed regulations be suspended?

Will clean-up language be required?

GOVERNOR'S REALIGNMENT PROPOSAL

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New Realignment is a Governance Shift

Governor proposes significant changes in government functions

"allowing decisions to be made by those who have the direct knowledge and interest to ensure that local needs are met in the most sensible way, " and

"moving government programs closer to the people, local decision-makers can tailor programs to community need, eliminate duplication and the state can refocus efforts on monitoring and program oversight."

What is Realignment?

“Realignment" refers to a shift of responsibility for programs between state and local governments.

The idea is that the entity responsible for administering a program should have discretion in how to administer the program together with a dedicated revenue stream for funding the program.

Governor's Goals with Realignment

- Efficiency, save tax dollars by consolidating/eliminating functions,
- Reduce duplication, including staffing at state level,
- Focus state's role on oversight and outcome monitoring,
- Protect essential services, and
- Provide flexibility to those providing services.

Governor's Realignment Proposal

- CALFIRE
- Court security provided by county sheriffs
- Training funds for local custody and law enforcement
- Variety of public safety state mandated activities
- Adult Protective Services
- Adult parole
- Lower-level offenders, parole violators
- Juvenile justice programs
- Mental health services
- Substance abuse treatment
- Foster care and child welfare services

Total FY 2011-12: $5.9 B

Total FY 2014-15: $7.2 B

Governor's Proposed Ballot Language (Constitutional Amendment)

- Revenues for years 1-5 guaranteed.
- Year 6+ funded with state General Fund.
- Intent to provide counties with maximum flexibility in running programs.
- County role in decision making with federal govt.
- Realigned programs are not mandates (no SB 90 process).
- New programs/higher levels of service imposed by the following are operative only to the extent the state provides funding:
  - State laws, state regulations, executive orders, directives
  - State plans negotiated with federal govt.
  - State settlements of **federal** litigation.

Governor's Proposed Ballot Language (Constitutional Amendment), cont.

- For realigned programs, costs for subsequent changes in **federal** law that alter the conditions under which federal matching funds are obtained will be shared 50/50 between the state and counties.
- For **federal** judicial or administrative proceedings, or a settlement or judicial or administrative order that imposes a cost of monetary penalty, costs will be shared 50/50 between the state and counties (unless the result is a consequence of county error).

Governor's Proposed Ballot Language (Constitutional Amendment), cont.

- No funding protection for:
  - State judicial decisions
  - Voter initiatives
  - State legislative designation of new crimes
- No provisions to require separate funding sub-accounts or firewalls among each realigned program (at either the state or local level).

CSAC's 2011 Realignment Considerations

- Board of Supervisors must retain expenditure and program authority.
- Local taxing authority not an appropriate means for providing resources.
- Counties need broad flexibility to manage realigned programs.
- Counties support a new role for state agencies.
- Counties must maintain independent authority to hire employees of their preference.
- Concerned the Administration's revenue projections are optimistic.
- Base shortfalls in 2011 package totaling $779 M.

Mental Health Realignment Proposal

- Permanently realign EPSDT, Medi-Cal Specialty Mental Health, and AB 3632 to counties.
- Pay for the first year (FY 2011-12) by diverting $861 million from the MHSA to save state GF (2/3 vote of the Legislature to amend MHSA).
- Pay for subsequent four years with new revenue source, per June ballot initiative.
- Include 1991 mental health realignment by swapping its original revenue source with the new revenue source, per June ballot initiative.

Governor's Mental Health Realignment Proposal

Estimated Annual *Revenues*: FY 2012-13 to FY 2014-15
(Per Governor's Feb. 25, 2010 proposal)

PROGRAM	Estimated Revenue	Estimated Need	(Difference)
EPSDT	$636.9 M	$709.9 M	($73 M)
Medi-Cal Managed Care	$190.7 M	$255.3 M	($64.6 M)
Educationally Related Mental Health Services	$150.9 M	$200 M	($50 M)
'91 Mental Health Realignment Services	$1.077 B *(starts FY 11/12)*	$1.077 B	-
TOTAL	$2 B	$2.1 B	($187.6 M)

NOTE: No firewalls, separate accounts, or allocation amounts for any of the realigned programs have been specified to date.

EPSDT: 2011 Realignment Issues

Issues

- Federal entitlement
- DMH's EPSDT funding estimates include questionable offsets.
- The state budget allocation for this program has been typically insufficient.
- Proposed base is underfunded.
- Significant litigation.

Specialty Mental Health Managed Care: 2011 Realignment Issues

Issues

- Federal entitlement
- Proposed base is underfunded

AB 3632: 2011 Realignment Issues

Issues:

- Federal educations entitlement, schools determine AB 3632 referrals.
- Base underfunded (Administration anticipates that cost controls can be implemented to reduce costs).
- Counties would lose access to the SB 90 mandate reimbursement.
- Long history of underfunding and litigation. Counties owed approximately $400 million in past mandate claims.
- Schools have no “skin in the game” financially.

Next Steps
MHSA Redirection and Realignment

- Educate counties ASAP regarding impact of changes
- Explore how to address unresolved issues from SB 76/AB 100
- Continue to advocate for firewalls or other protections to ensure adequate funds for 2011 realigned mental health services.
- Identify recommendations on the realignment implementation statute; identify state laws and regulations that should be changed or eliminated.

Support shift to local governance with focused state oversight

Next Steps and Implications

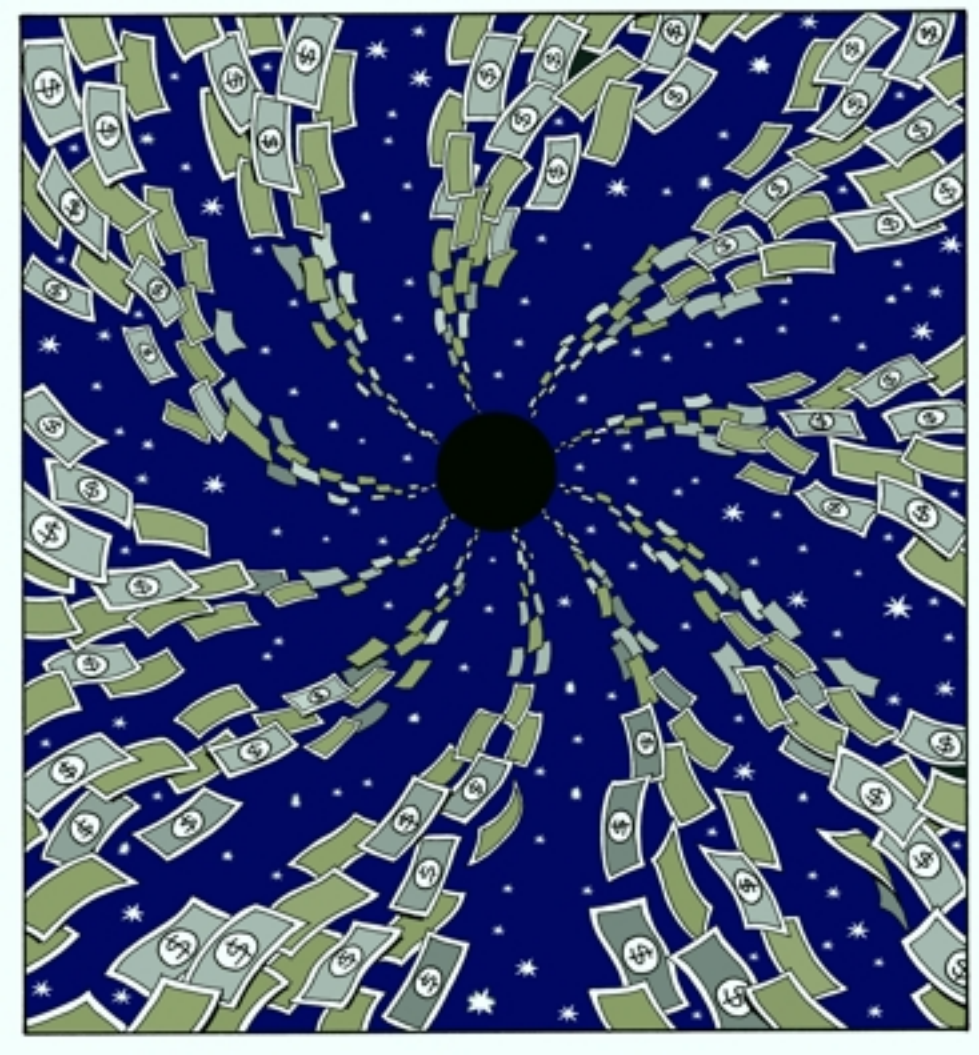
What does all of this mean at the Local Level?

Kristy Kelly, MFT

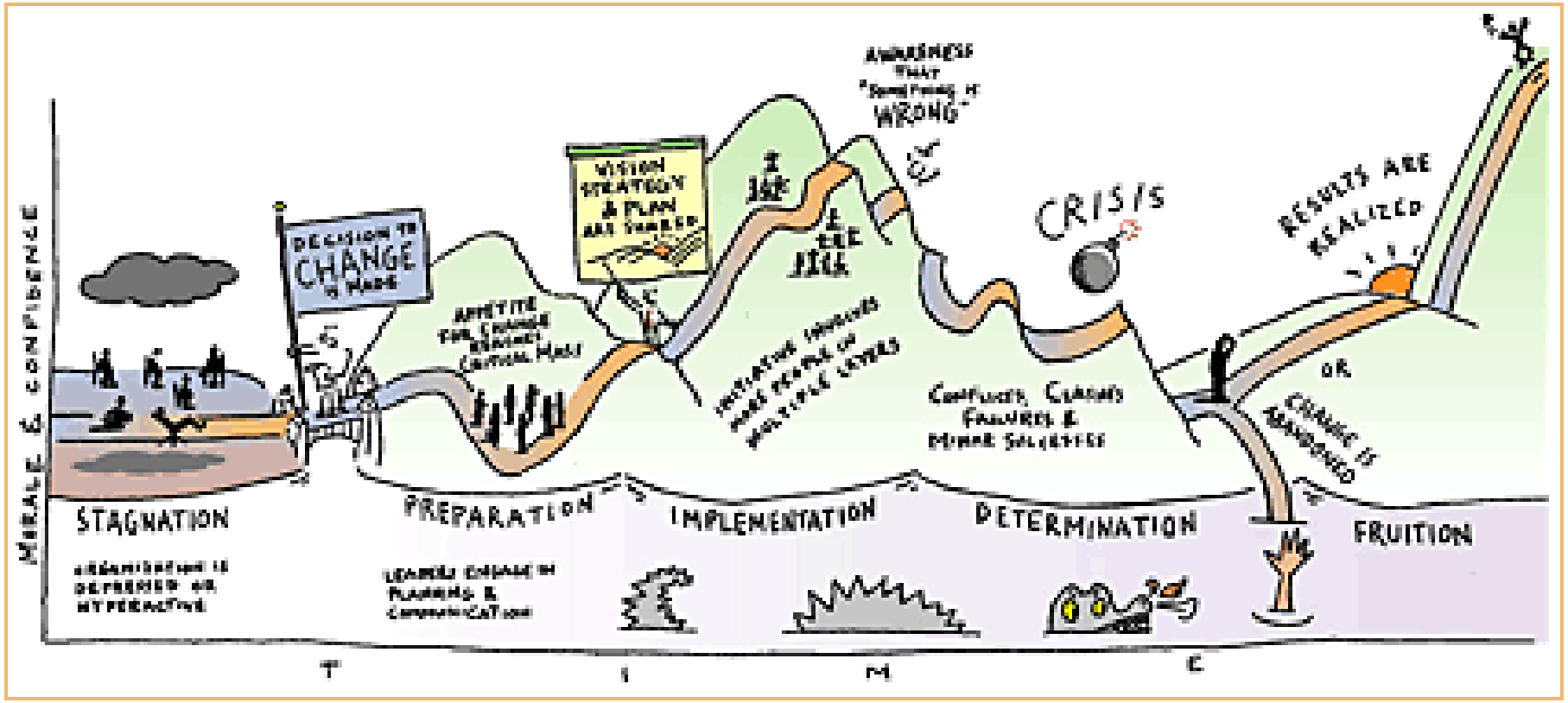
Lake County Mental Health Director and President, CMHDA

Some things are the same, no matter where you are:

FUNDING IS CHALLENGING:



and CHANGE is HARD:



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SMALL COUNTY DIRECTORS LIKE TO SAY:

"When you've seen one Small County Mental Health Department, you've seen one Small County Mental Health Department!"

THEY ALSO LIKE TO SAY:

"We are one-deep and a mile wide!"

THIS IS WHAT THEY REALLY MEAN:

"I am a County Department Head and the local expert in mental health law and regulations. The BOS, CAO, County Counsel and local media are all interested in what I do. I personally respond to DMH requests for new plans, reports and fiscal information. I answer my own phone; type my own letters and provide back-up for staff that is out sick. I meet with the Grand Jury; the Mental Health Board and keep stakeholders, clients and family members in the loop. Funding and accountability are daily pressures.

I love my job, but the demands never end!"

P.S…

"I might also handle a crisis call, fix the 'john' and shovel snow out of the clinic driveway…"

SOME COMPARISONS…

	MARV LOS ANGELES	KRISTY LAKE
Total population	9,848,011	65,279
Square miles	4,061	1,258
Density Pop/miles	2,425	52
Threshold languages	12	1

Addressing Transformation:

- Many Small Counties initially made "per capita" FSP calculations: "With this allocation we can serve 7 FSPs per year."
- It was imagined that the impact of MHSA would be relatively small. Many counties conceived of it as a minor "parallel" system to the Medi-Cal system.
- Lake County never set a limit on FSPs. We also decided that all clinical staff should be able to access these resources on behalf of their clients.
- For awhile we were very confused about what an FSP was!

Getting Clear on our Mission:

- We have re-oriented all services around FSPs and bringing people home from placements.
- Acute inpatient care and placements are seen as "interventions." The goal is always to bring people back to the community as quickly as possible.
- Staff now works mostly "in the field." They are out meeting clients in the community, not waiting for people to come into our clinics.
- We take more "risks" with clients – and it definitely pays off! Most clients are doing well in their own homes in the community.

It takes teamwork…