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TAB SECTION: 2

X ACTION REQUIRED

DATE OF MEETING: 9/15/11

PREPARED BY: Hoffman/Hood/ Lee

DATE MATERIAL PREPARED: 9/9/11

AGENDA ITEMS: Prudent Reserve Report Development

ENCLOSURES: Prudent Reserve Policy Discussion PowerPoint

OTHER MATERIAL RELATED TO ITEMS: None

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 Mental Health Services (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 FY10/11.
 1. 50 percent of the most recent annual approved CSS and PEI funding level should be set aside as the required Prudent Reserve amount.
 2. 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 10/11, DMH found that statewide economic conditions were met, allowing counties to access their Prudent Reserve.
- 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 eliminated the limitations on the funding level of Prudent Reserves. On April 8, 2011 DMH issued DMH Information Notice NO.:11-05 implementing this policy.
 1. The 50 percent Local Prudent Reserve requirement/limitation has been rescinded.
 2. WIC Section 5892 (b) permits a County to use up to 20 percent of the average amount of CSS funds allocated to that county for the previous five years to fund for technological needs and capital facilities, human resource needs, and a Prudent Reserve.

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- MHSOAC Mental Health Funding and Policy Committee Prior Action
 1. On July 6, 2011, the Committee initially discussed the revised Prudent Reserve Policy.
 2. On July 28, 2011, the Committee presented recommendations to MHSOAC.
 - Develop strategies to monitor the local Prudent Reserve and other allowable transfers from CSS or PEI.
 - Provide a report to the Commission in summer of 2014 on local Prudent Reserve and other transfers from CSS.

Committee Discussion

Discussion Questions:

- What role should the Commission have regarding oversight and accountability regarding Prudent Reserve?
- Assuming monitoring is a role what county level data is needed to monitor Prudent Reserve?

Committee Action:

Mental Health Funding and Policy Committee will discuss and finalize recommendations to be taken to the September 22nd MHSOAC meeting.