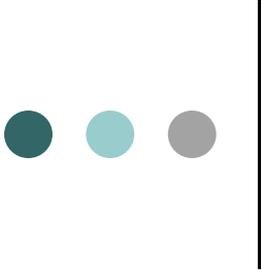




Mental Health Funding and Policy Committee

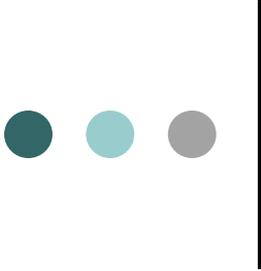
Prudent Reserve Policy Discussion

September 15, 2011



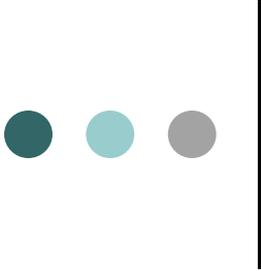
Overview

- **Background**
- **Challenges: Data Availability and Accuracy**
- **Status**
- **Discussion Questions**
- **Report Development**



Background

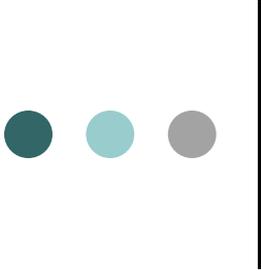
- MHSA requires local prudent reserve.
WIC 5847(b)(7)
 - Purpose: address volatility associated with MHSA funding source.
 - Mechanism: Funds deposited and accessed through county plan/update.
 - Economic conditions must be met for access.
- Maximum annual deposits are specified in WIC 5892(b).



Background— Why Prudent Reserve?

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	<hr/> -17.4%	<hr/> -38.6%



Background – Committee Action

Prior Action

- July 6, initial discussion on revised Prudent Reserve policy
- July 28, presented initial findings to MHISOAC

Today's Action

- Finalize recommendations to be taken to MHISOAC 9/22/11 meeting



Background - Prior Action: Committee Recommendation

- Develop strategies to monitor the local Prudent Reserves and other allowable transfers from CSS or PEI by
 - The level and amount of funds deposited and withdrawn from the local Prudent Reserves by year and by county
 - The amounts of CSS funds transferred to Capital Facilities and Technological Needs (CF/TN) and Workforce Education and Training (WET)
- Provide a report to the Commission in summer of 2014 on local Prudent Reserve and other transfers from CSS



Challenges:

Data Availability and Accuracy

- DMH and MHSA no longer approves county request to fund local prudent reserve per AB 100
- MHSA fiscal reference data on DMH website, no longer updated.
- Staff researched Prudent Reserve status by using Annual Updates, MHSA Revenue and Expenditure Reports (RER), DMH's MHSA Agreement summary and follow up with some counties.
 - Data may not be accurate because not all counties submitted above described reports

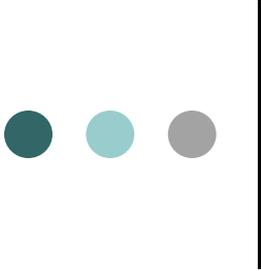


Status:

Local Prudent Reserves

- All Counties have established a prudent reserve
- Based on data available from the FY 09/10 and FY 10/11 annual updates, MHSA RER and follow-up with some counties, the total amount of prudent reserve is estimated at \$279.3 million.

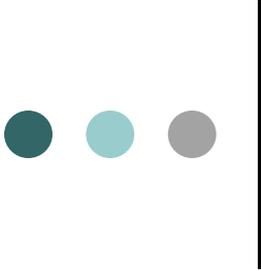
NOTE: These numbers may not be accurate nor represent total deposits because of no reliable sources.



Status: Local Access to Prudent Reserve

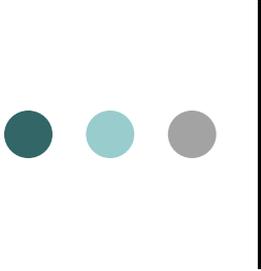
- 5 counties have accessed reserves for a total of \$3.8 million (Based on FY 09/10 and 10/11 DMH's MHSA Agreement summaries)
- The small number of counties using reserves likely reflects other account balances being used for one-time available money
- After AB 100, no new data available regarding county plan updates.

NOTE: These numbers may not be accurate nor represent total deposits because of no reliable sources



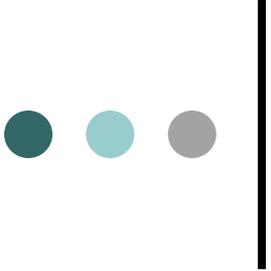
Status: Local Prudent Reserve Balance

- No current data available to accurately determine the Prudent Reserve Balance.
- The MHSOAC proposes to include Prudent Reserve balance and access data in the revised Revenue and Expenditure Report (RER).
 - If included in the revised reports, statewide data on prudent reserve as of 6/30/11 will
 - be available in late FY 11/12.



Committee Discussion Questions

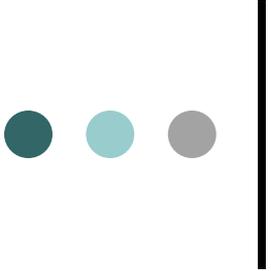
- What role should the Commission have regarding oversight and accountability regarding prudent reserve?
- Assuming monitoring is a role what county level data is needed to monitor prudent reserve?



Report Development

Potential Topics

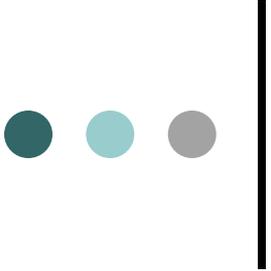
- Prudent Reserve Report
 - Amount and source of funds deposited in Prudent Reserve
 - Withdrawals from Prudent Reserve
 - Year-End Balances
- CSS Funds Transferred to WET and/or CF/TN.



Report Development

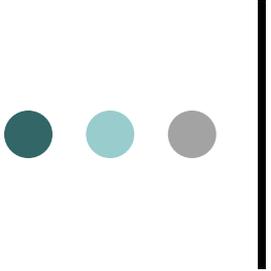
Potential Topics (Continued)

- Identification of any potential policy issues that the Commission may wish to comment on with regards to the
 - Prudent Reserve Report
 - Use of Prudent Reserve
 - Other?
- What additional critical factors, if any, should be included in the report to the Commission in summer of 2014 on local Prudent Reserves and other transfers from CSS?
 - Status of threshold to withdraw from prudent reserve
 - Other?



Report Development

- Information Sources
 - Revised Revenue and Expenditure Report for Prudent Reserve information
 - Other possible data collection sources



Next Steps

- Finalize recommendations to be taken to MHSOAC 9/22/11 meeting
- Staff will draft report format for input and comment by Committee.