

AGENDA ITEMS: Mental Health Funding and Policy Committee

- **Prudent Reserve Policy – Committee Recommendations Regarding Strategies to Monitor Prudent Reserve and to Provide a Report in 2014**
- **Innovation Reversion – Committee Recommendations Regarding Possible Reversion Policy Change**

ENCLOSURES: None

OTHER MATERIAL RELATED TO ITEMS:

The following handouts will be available at the meeting:

- Prudent Reserve PowerPoint
- Innovation Reversion PowerPoint

The Mental Health Funding and Policy Committee will meet to discuss Prudent Reserve Policy and Innovation Reversion on September 15, 2011. Any recommendations or actions from this meeting will be brought to the September 22, 2011 Commission meeting.

I. Prudent Reserve Policy – Committee Recommendations Regarding Strategies to Monitor Prudent Reserve and to Provide a Report in 2014

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 Fiscal Year (FY) 2010/11.

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.

Assembly Bill (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, the Department of Mental Health (DMH) eliminated the policy requirements and limitations on the funding level of Prudent Reserves. On April 8, 2011 DMH Information Notice NO.:11-05 was issued which rescinded the 50 percent Local Prudent Reserve requirement/limitation.

On July 6, 2011, the Committee had initial discussion on the revised Prudent Reserve Policy. On July 28, 2011 the Committee made an initial presentation to the Commission on the need for strategies to monitor Prudent Reserve and provide a report in the summer of 2014.

The Mental Health Funding and Policy Committee will have further discussion on Prudent Reserve on September 15, 2011. Any Committee recommendations regarding strategies to monitor Prudent Reserve and to provide a Prudent Reserve Report in the summer of 2014 will be presented at the September 22, 2011 Commission meeting for approval.

II. Innovation Reversion– Committee Recommendations Regarding Possible Reversion Policy Change

WIC Section 5892(h) requires any funds allocated to a county which have not been spent for their authorized purpose within three years shall revert to the state to be deposited into the fund and made available for other counties in future years, provided however, that funds for capital facilities, technological needs, or education and training may be retained for up to 10 years before reverting to the fund. DMH Information Notice 08-07, addressed the overall Mental Health Services Act Reversion Policy, providing that the three year timeline began when the funding and the guidance on using the funding was made available to the counties. The period used to calculate reversion will begin concurrent with the start of a Fiscal Year. When the Innovation component allocations and Guidelines are made available by September 30, the reversion timeline begins on the previous July 1. If the allocations and Guidelines are issued after September 30, the timeline starts on the following July 1.

California Mental Health Directors Association (CMHDA) is concerned that substantial amounts of Innovation funding from FY 2008/09 through FY 2010/11 are expected to be subject to reversion on June 30, 2012 and June 30, 2013 under current procedures for calculating reversion. CMHDA has submitted to DMH a proposal to revise the methodology for calculation of Innovation Reversion.

The Mental Health Funding and Policy Committee will on September 15, 2011 discuss the strengths and potential unintended consequences of the CMHDA proposal to change Innovation reversion calculation as well as any possible options to resolve Innovation Reversion concern. The Committee will present any recommendations regarding possible Innovation Reversion Policy change to the Commission on September 22, 2011.