



## **Mental Health Funding and Policy Committee Recommendations on Prudent Reserve**

**September 22, 2011**

**Tab 6**

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## **Overview**

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## Background

- Funding and Policy Committee presented initial recommendations to the MHSOAC on July 28, 2011.
- Commissioner feedback and public comments sought and received.
- Funding and Policy Committee finalized recommendations on Sept. 14, 2011.

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## Background

**Initial Recommendation** - Funding and Policy Committee shall:

- Develop strategies to permit oversight of prudent reserve consistent with AB 100 policy changes
  - Local Prudent Reserve levels by county,
  - Use of Prudent Reserves; and
- Provide a report to the Commission in summer of 2014 that includes experience with the current recession and termination of program start-up account balances.

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## ● ● ● | Background

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

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## ● ● ● | 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 style="width: 100px; margin: 0 auto;"/> <b>-17.4%</b>	<hr style="width: 100px; margin: 0 auto;"/> <b>-38.6%</b>

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## Previous DMH Policies

- 50% Reserve for direct service programs
  - Community Services & Supports (CSS)
  - Prevention & Early Intervention (PEI).
- Timeline — Must establish by June 30, 2011.
- Requirement to fund Prudent Reserve suspended beginning FY 10/11 due to statewide economic conditions.

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## Statutory & Policy Changes

- **AB 100**
  - State plan review and approval terminated
- **DMH Policy**
  - Requirement/limit of 50% eliminated

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## Statutory & Policy Changes

AB 100 made no statutory changes to Prudent Reserve requirements:

- Uses of funds only to maintain existing CSS and/or PEI services. WIC 5847(b)(7)
- Annual deposits limited (maximum 20% of the previous 5 years average CSS funding for Prudent Reserve, WET and CF/TN). WIC 5892(b)
- County must use Plan update process to deposit funds to local Prudent Reserve. WIC 5847(b)(7)
- County must use Plan update process to access funds in local Prudent Reserve. WIC 5847(b)(7)

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## Statutory & Policy Changes

AB 100 made no statutory changes to local review process of County Plan updates:

- Each plan and update shall be developed with local stakeholders. WIC 5848(a)
- Draft plan and update shall have at least a 30 day review and comment period. WIC 5848(a)
- The Mental Health Board shall conduct a public hearing on the draft plan and annual update at the close of the 30-day comment period. WIC 5848(b)

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## **Challenges: Data Availability and Accuracy**

- DMH and MHSOAC no longer approve county request to fund local prudent reserve per AB 100
- MHSO fiscal reference data on DMH website, no longer updated

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## **Status: Local Prudent Reserves**

- All Counties have established a prudent reserve
- Total amount of prudent reserve is estimated at \$279.3 million
- Based on data available from the FY 09/10 and FY 10/11 annual updates, MHSO Revenue and Expenditure Report (RER), and follow-up with some counties

NOTE: These numbers may not be accurate nor represent total deposits because of data limitations. These numbers are a picture in time.

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## **Status: Local Access to Prudent Reserve**

- As of June 30, 2011 5 counties have accessed reserves for a total of \$3.8 million. (Based on FY 09/10 and FY 10/11 DMH's MHPA Agreement summaries)
- The small number of counties using reserves likely reflects other account balances being used for one-time available money.

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## **Status: Local Prudent Reserve Balance**

- Current identified data sources have limitations that make it difficult to accurately determine the Prudent Reserve Balance.
- Possible new data sources include:
  - The MHSOAC proposes to include Prudent Reserve balance and access data in the revised Revenue and Expenditure Report (RER).
  - If included in the revised RER statewide data on prudent reserve as of 6/30/11 will be available in late FY 11/12.
  - County Auditor Controller county fund certification. (Staff will determine feasibility of using this existing process for the future.)

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## Committee Recommendations

### The Commission should:

- Ensure transparency of all Prudent Reserve funding and expenditure decisions made by counties.
- Ensure stakeholder engagement in county decisions to augment and use Prudent Reserve.
- Assure taxpayers that the revised policy is the most effective policy moving forward.

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## Committee Recommendations

### The Funding and Policy Committee should:

- Monitor the local Prudent Reserves and other allowable transfers from CSS by
  - The level and amount of funds deposited and withdrawn from the local Prudent Reserves by year 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 the summer of 2014 capturing the information listed above
- Provide summary data of how Prudent Reserve is being utilized

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## Proposed Motion

The MHSOAC adopts the Mental Health Funding and Policy Committee recommendations as presented on slides #15 and #16.

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