



**Financial Oversight Committee Meeting
Minutes**

**Thursday, May 21, 2015
12:00 AM – 2:00 PM**

**Mental Health Services Oversight and Accountability Commission
1325 J Street, 17th Floor, Suite 1700
Darrell Steinberg Conference Room
Sacramento, CA 95814**

Committee Members:

Staff:

Other Attendees:

John Buck, Vice Chair Debbie Innes-Gomberg* Jane Adcock Carol Hood Gordon Richardson* Rusty Selix* Gwen Slattery*	Peter Best Jose Oseguera Filomena Yeroshek Carly Holloway	Michelle Violet Alicia Castaneda Steve Clavere
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*Participation by phone

Committee members absent: John Boyd, Paul Stansbury, Lindsay Walter, Stacie Hiramoto, Brian Hill

Welcome:

Vice Chair Buck opened the meeting and welcomed those present.

Vote: Adoption of March 27, 2015 Meeting Minutes

Meeting minutes were adopted from March 27, 2015 meeting.

Name	Yes	No	Abstain
John Buck, Vice Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Debbie Innes-Gomberg	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jane Adcock	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carol Hood	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Gordon Richardson	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Rusty Selix	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Gwen Slattery	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discuss the State Budget Update (Governor's Budget May Revision) and Potential Policy Implications

Rusty Selix provided his analysis regarding the Governor's May Revised Budget. The following is a synopsis of his comments:

- There was a dramatic increase in revenues but no changes to Mental Health Services Act (MHSA) revenue from what was stated in the Governor's January 2015 Budget Proposal.
 - One explanation is that the forecast for MHSA revenues in January was ambitious.
- Included in the budget is \$360 million going to the Department of Health Care Services (DHCS) for health plans and to counties for health benefits.
- There is \$61 million for new health home options, which includes enhanced services for physical and mental health for those who are severely mentally ill.
- The budget includes final reimbursement from 2004 of \$700 million to AB 3632, which is a law that requires coordination between school districts and the counties to provide mental health services to students. Not all of these funds will go to mental health, it depends on how the counties covered the costs while the state was not paying them.
- \$10 million in Proposition 98, which requires a minimum percentage of the state budget be spent on K-12 education, will go toward a multi-tiered system. A portion of that money is aligned with a multi-tiered system of mental health in schools. AB 1025 is aligned with that. Several million will be dedicated to create more pilots for that program.
- The legislature added \$3 million to the mentally ill offender crime reduction grant program. This was not new money, but rather re-appropriated money from prior fiscal that was not expended.
- The Commission's Project was augmented by \$1 million to expand some of the outreach projects for youth.

Questions

- Co-Chair Buck asked when we might know if the MHSA revenue projection is too conservative.
 - Rusty Selix responded that it does not matter because those are the numbers that everyone will use now. New numbers will come out in December.
 - The March report from Department of Finance (DOF) fixed the amount of money that will be transferred for county spending in 2015/16, which is 1.77% of all income tax revenue.
 - Overall, revenues in the May Revise have increased since the January budget proposal.

Discuss the May 2015 Financial Report to be Presented to the Commission at the May 28, 2015 meeting

Peter Best provided an overview of the May 2015 Financial Report. Twice a year, in January and May, the Financial Oversight Committee (FOC) reviews the Financial Report and provides suggestions. The adoption of this report will be voted on at the next Commission meeting.

- Page 1 – Mental Health Funding Levels – at the Local Level.
 - Lists the various funding sources and amounts beginning in Fiscal Year (FY) 2003/04 through 2015-16 (projected).
 - See Appendix 1 for data.
- Page 2 - Total MHSA Revenue Received – Cash Basis.
 - Sources identified in Appendix 2.
 - FY 2014/15 and 2015/16 numbers have been updated from the January report.
- Page 3 - Mental Health Services Funds Distributed to Counties.
 - We are still waiting for updated numbers for this chart.
- Page 4 - MHSA Housing Program.
 - Numbers still need to be updated.
 - There was \$71.9 million in uncommitted funds. The Co-Chair asked what happens with the uncommitted funds.
 - A committee member responded that those uncommitted funds are sitting with California Housing Finance Authority (CalHFA), earning interest, and available to counties as projects become available. It is expected that those funds will be used.
- Page 5 - MHSA Administration Funds by Department.
 - We are still waiting for updated numbers.

Questions/Comments

- A committee member commented on the difference between numbers in Appendix 1 and the numbers projected by Mike Geiss in the February meeting. These projected revenues have huge implications for the counties, and it is important to figure out how they came to their numbers.
 - Staff replied that we will contact Mike Geiss and DOF to rectify the differences.
 - Committee member requested that an answer be provided regarding the differences in the numbers at the Commission meeting next week. If not at the upcoming Commission meeting, then as soon as possible.
- A committee member asked why was there an increase in projected MHSA revenue but not a corresponding increase in the cash transfers, which is based on the money actually coming in. Will staff ask DOF how they came to that projection?

- A committee member stated that in Appendix 1, the MHSA 2015-16 projection is \$1,522 million and this does not tie with Appendix 2 (cash basis). What is the source of the \$1,522 million 2015-16 MHSA projection?
 - Staff replied that Appendix 1 ties with the first chart. Staff will look into this question.
- A committee member was unclear on what the chart in Appendix 2 was supposed to tell us.
- A committee member questioned the inclusion of substance use disorder funding with the Realignment II funds.
 - A committee member responded that the Realignment II 2011 is not divided out between mental health and substance use so the chart reports both. The county has discretion to determine how much goes to each.
- A committee member was confused by the first sentence in the narrative on page 2 – “the overall system has grown..... and has stayed relatively stable.”
- A committee member asked what we were supposed to learn from the chart on Page 4 (Mental Health Services Funds Distributed to Counties).
- A committee member asked about the totals in the chart on Page 6 “MHSA Administration Funds by Department”. The total MHSA Administration Fund of \$112,674,000 does not equal 5% of the projected 2015/16 MHSA funding in Appendix 1. Five percent of the MHSA funding projected in Appendix 1 is much less than the \$112,674,000 in the preceding chart.
 - Staff responded that they will look into this.
 - A committee member asked if the chart on Page 6 “MHSA Administration Funds by Department” includes the triage grant funds. If so, that could account for some of the difference.
- A committee member pointed out that Appendix 1 still references healthy families’ beneficiaries and it is believed that the program had ended.
 - A committee member responded that it is now considered Medi-Cal.
 - Staff stated that they will make the change.
- The Co-Chair asked for any additional comments and any public comment.
 - There was no additional comments or public comment.

Review Draft Set of Questions for State Agencies to Guide Their Presentations on Their Use of Mental Health Services Act (MHSA) Administrative Funds

At the March 27, 2015 FOC meeting, the Chair had asked staff to put together a set of questions that would guide departments in their presentation of their use of MHSA administrative funds. These questions were compiled from the last FOC meeting and previous questions that were asked of departments. Are these questions appropriate? Would committee members like to add or modify anything?

- Co-Chair suggested that we ask what services are being provided. And are they serving persons with serious psychiatric disabilities?

- Chief Counsel stated that these are administrative funds. The purpose is not necessarily to serve individuals but to administer programs. Not all of the state departments will have direct services to individuals.
- A committee member suggested the questions be generic because each department does it differently.
 - Staff responded that the questions were originally more generic but we were instructed to create a more standardized set of questions and this was our first attempt at that.
- A committee member also commented that departments may not be able to comment on any Budget Change Proposal (BCP) plans as that is kept confidential.
- A committee member stated that he believed we had heard from nearly all departments receiving administrative funding.
 - Staff replied that we had not heard from Department of Public Health, Department of Health Care Services, and the State Treasurer.
- A committee member asked what we intend to do with this information. What is the action? What are we trying to accomplish?
 - Staff replied that we provide an overview to the Commission on what we hear from the various entities. The Committee's responsibility per the charter is to review how the funds are spent and provide analysis to the Commission.
- A committee member responded that it is important that we articulate what we want the Commission to do with the information.
- The Co-Chair responded that the Commission has an oversight role. What should our role be in oversight? Does anyone else have that kind of oversight?
- The Co-Chair asked Toby Ewing, the Executive Director, what is the future plan for how committees will interface with the Commission? We have had presentations by state departments receiving MHSA administration funds, and it is assumed the Committee does this to understand what the funds are used for, thus fulfilling the role of oversight. What should this committee do with the information regarding MHSA administration funds that we receive from the various agencies?
 - Toby Ewing, Executive Director, responded that we are working with DOF to determine how the state documents the amount of money in the cap. There is a 3-year time frame to account for money that was received in a single fiscal year. We want to be very clear and public about how those determinations are made. To answer the question about how much money we have to spend, we have to understand the calculation. We reached out to DOF and budget committees to help them think about how to allocate room in the cap. The Commission should have a role in guiding and advising the legislature in terms of where there is growth in administration funds, and what the priorities should be for those funds. Similarly, there will be times when there is a reduction in funds, which will also be valuable in helping the state think about how to constrain spending when revenues

decline. Eventually, the Commission will have a role in this, but we are not there yet. We are starting with how the dollars add up and what that looks like. What are the historical allocations? Although some of the tables provided today lay out the dollars that have gone to different departments, the language is that the funding is subject to room in the cap. How does the Commission participate in making those decisions? We are not there yet but we are working toward that. Does that answer your question, Commissioner?

- The Co-Chair stated that he would try to make the question more specific. What do you recommend we, as a committee, look at over the next 6 months while we try to figure out the complexities in the funding? In looking at the charter, our broad mission is to provide oversight to those entities receiving Proposition 63 funds. Should we be spending our time looking at administrative funds, which is only 5% or should we be focusing on a bigger picture?
 - Toby Ewing replied that there are opportunities around the 5%. But it is only 5% so we need to have a balance. It is important the Commission has a voice in how funding is spent if there is an increase or decrease in funds. If you are at a decision point today, my recommendation would be that as the chair, you direct us, as staff, to formulate a game plan. I am not in the position to tell you what to focus on today. I recommend that staff come back to you with a plan.
- The Co-Chair asked for any additional comment or public comment.
 - A public comment was made about Page 6 of the Financial Report. The report indicated dollars in millions but it should be in thousands. There was also a question as to how the 2015/16 Administrative Funds were calculated.

Possible Future Agenda Items

- Clarity on the revenue items.
 - The Committee would like estimated revenue numbers for each county.
 - How are the numbers determined?
 - When will the estimates change?
- Recommendations from staff on what the Committee should work on in the next year.
- Regular updates on reversion. The Committee is still waiting for Department of Health Care Services (DHCS) to finish regulations, but regular updates would be helpful.
- County Annual Revenue and Expenditure Reports (ARERs) for 2012-13 were due on March 31, 2015. The Committee should look into these reports to understand what is going on in the counties and to address the issue of unspent funds.

General Public Comment

There were additional comments or public comment.

- Steve Clavere, a member of a local mental health commission, came to speak, not as a representative of his commission, but as a private citizen. He stated that indirect administrative costs have gone up (specifically in Community Services and Support funds) to 25%. The Department of Mental Health (DMH) had put out guidelines that indirect administrative costs could not exceed 15%, and if the county was to exceed the 15% they must write a justification. He learned this was no longer required. There is no longer a limit set on indirect administrative costs. Is 25% an acceptable indirect cost? Is this the cost of doing business now or is my county an outlier?
 - A Committee Member responded that rising administrative costs is one of the top concerns. It is something we need to look into. Maybe 25% is the new normal, but if so, it is unacceptable. This is an appropriate topic to flag for future discussion and something the Committee should look into.
 - We can look at this by reviewing the ARERs to determine the average percentage used throughout counties.

Adjournment

Meeting adjourned.