



JENNIFER KENT
DIRECTOR

State of California—Health and Human Services Agency
Department of Health Care Services



EDMUND G. BROWN JR.
GOVERNOR

August 1, 2018

The Honorable Lorena S. Gonzalez Fletcher, Chair
Assembly Appropriations Committee
State Capitol, Room 2114
Sacramento, CA 95814

Dear Assembly Member Gonzalez Fletcher:

SENATE BILL 192 (AS AMENDED JUNE 12, 2018) – OPPOSE

The Department of Health Care Services (DHCS) must inform you of its opposition to Senate Bill (SB) 192.

By requiring counties to calculate and establish a prudent reserve, SB 192 is inconsistent with the recommendations made by the 2017 California State Auditor (CSA) report and inconsistent with proposed regulations DHCS is currently developing to establish maximum prudent reserve levels. The report found counties were "...able to deposit funds to or withdraw funds from their reserves at their discretion" and could "direct any unspent Mental Health Services Act (MHSA) funds allocated to Community Support into their reserves to shelter the funds from reversion." To determine a reasonable level for the prudent reserve, the CSA used historical MHSA funding levels to identify the worst decline and average decline in MHSA funds counties in a single fiscal year for community services and supports. The CSA recommended DHCS use either of these numbers to determine a reasonable prudent reserve level. Consistent with these recommendations, DHCS is currently developing regulations that address the maximum prudent reserve level, which are expected to be promulgated by July 1, 2019. DHCS will be releasing an Information Notice by September 2018 that establishes each county's maximum prudent reserve level based on the recommendations of the CSA.

In addition, establishing a Reversion Account within the Mental Health Services Fund (MHSF) is unnecessary. Existing law already specifies that funds not spent in a timely manner revert to the MHSF and are made available to other counties. The CSA report also recommended DHCS to develop "an MHSA fiscal reversion process to ensure that the State can reallocate any MHSA funds that local mental health agencies do not spend within the statutory reversion time frames." As mentioned above, DHCS is currently developing regulations, as well as publishing an Information Notice, that

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describes how DHCS will revert and allocate funds to other counties. DHCS has also developed a process and mechanism whereby MHSA funds are reverted and reallocated to other counties using specified percentages determined by DHCS.

In December 2017, DHCS published Mental Health Substance Use Disorder Services Information Notice 17-059, which provides guidance to counties that establishes due dates to submit plans for unspent funds, a process to compel counties to submit the plans by the due date, and a requirement that funds unspent as of July 1, 2020 will be reverted. A copy of this notice is attached for your information.

If you have any questions, please contact me at 440-7500.

Sincerely,

o/s/by: CG

Carol Gallegos
Deputy Director

cc: The Honorable Senator Jim Beall
State Capitol, Room 2082
Sacramento, CA 95814

Co-Chair and Members, Assembly Appropriations Committee
Senate Republican Caucus
Senate Floor Analysis
Department of Finance
CHHS Legislative Unit
GO Deputy Legislative Secretary