Mental Health Services Act Expenditure Report

Fiscal Year 2009-10

A Report to the Legislature in Response to

AB 131, Omnibus Health Budget Trailer Bill
Chapter 80, Statutes of 2005

CALIFORNIA DEPARTMENT OF
Mental Health

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Mental Health Services Act Expenditure Report

Fiscal Year 2009-10

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EXECUTIVE SUMMARY

The passage of Proposition 63, the Mental Health Services Act (MHSA) in November 2004, increased funding, personnel and other resources to support county mental health programs and monitor progress toward statewide goals for serving children, transition age youth, adults, older adults and families with mental health needs.

The MHSA imposes a one percent income tax on personal income in excess of $1 million. This new tax has generated more than $5.7 billion in additional revenues for mental health services through the end of Fiscal Year (FY) 2008-09. The Governor's proposed budget estimates additional revenues of $873 million in FY 2009-10 and $1.0 billion in FY 2010-11.

Approximately $3.2 billion has been expended through FY 2008-09. Additionally, $1.3 billion is estimated to be expended in FY 2009-10 and $1.6 billion in FY 2010-11.

BACKGROUND

The Director of the California Department of Mental Health (DMH) is required by Assembly Bill 131 (Chapter 80, Statutes of 2005) to annually submit two fiscal reports to the Legislature on the MHSA, one in January in conjunction with the Governor's Proposed Budget and the other in conjunction with the Governor's Budget May Revision. This legislation specifies that the reports contain information regarding the projected expenditures of Proposition 63 funding for each state department, and for each major program category specified in the measure for local assistance and support. To meet this mandate, this report includes actual expenditures for FY 2008-09, estimated expenditures for FY 2009-10, and projected expenditures for FY 2010-11.

The MHSA addresses a broad continuum of prevention, early intervention and service needs and provides funding for the necessary infrastructure, technology and training elements that will effectively support the local mental health system. In addition to local planning, the MHSA specifies five major components of the MHSA program around which the DMH has created an extensive stakeholder process to consider input from all perspectives. The MHSA specifies the percentage of funds to be devoted to each of these components and requires DMH to establish the requirements for use of the funds. Because of the complexity of each component, implementation of the five components has been staggered.

An overview of the five components is listed below:

- **Community Services and Supports (CSS)**—"System of Care Services" described in the MHSA is now called "Community Services and Supports." The CSS are the programs, services, and identified by each County Mental Health Department (County) through its stakeholder process to serve unserved and underserved populations, with an emphasis on eliminating disparity in access and improving mental health outcomes for racial/ethnic populations and other unserved and underserved populations.

- **Workforce Education and Training (WET)**—This component targets workforce development programs to remedy the shortage of qualified individuals to provide services to address severe mental illnesses.

- **Capital Facilities and Technological Needs (CFTN)**—This component addresses the capital infrastructure needed to support implementation of the Community Services and Supports and Prevention and Early Intervention programs. It includes funding to improve or replace existing technology systems and for capital projects to meet program infrastructure needs.

- **Prevention and Early Intervention (PEI)**—This component supports the design of programs to prevent mental illnesses from becoming severe and disabling, with an emphasis on improving timely access to services for unserved and underserved populations.

- **Innovation (INN) (five percent of CSS and five percent of PEI)**—The goal of this component is to develop and implement promising practices designed to increase access to services by underserved groups, increase the quality of services, improve outcomes, and to promote interagency collaboration.

In addition to funding the components listed above, MHSA allows for up to five percent of the total revenues received in the Mental Health Services Fund (MHSF) in each fiscal year to be used to support DMH, the Mental Health Oversight and Accountability Commission (MHSOAC), and the California Mental Health Planning Council (CMHPC). Other state entities are also funded from the MHSF (see further detail beginning on Page 6).

For more information on MHSA activities, please visit the Web site at:
http://www.dmh.ca.gov/Prop_63/MHSA/default.asp

EXPLANATION OF ESTIMATED REVENUES

By imposing a one percent income tax on personal income in excess of $1 million, the MHSA has generated approximately $5.7 billion through FY 2008-09. This includes both the income tax payments and interest income earned on the MHSF balance.

The Governor's Budget shows revenue as earned, using generally accepted accounting principles, and therefore, shows accruals for revenues not yet received by the close of the fiscal year. The actual funds received in the fiscal year on a cash basis differ slightly from the estimated revenues displayed in the Governor's Budget. Table 1 provides the comparison between the estimated revenues on an accrual basis for the Governor's Budget and the actual cash deposits into the MHSF in each fiscal year.

As shown in Table 1, "Cash Transfers" are similar under either accounting approach. These amounts represent the net personal income tax receipts transferred into the MHSF in accordance with Revenue and Taxation Code Section 19602.5(b). Similarly, "Interest Income" is comparable under either accounting approach.

The differences shown in the "Annual Adjustment Amount" are due to the amount of time necessary to allow for the reconciliation of final tax receipts owed to the MSHF and the previous cash transfers. Therefore, the Annual Adjustment Amount shown in the Governor's Budget will not actually be deposited into the MHSF until two fiscal years after the revenue is earned.

Table 1: Comparison between Mental Health Services Act Estimated Receipts And Proposed FY 2010-11 Governor's Budget (Dollars in Millions)

	Fiscal Year		
	2008-09	**2009-10**	**2010-11**
Proposed 2010-11 Governor's Budget[1]			
Cash Transfers	$797.0	$833.0	$836.0
Interest Income Earned During Fiscal Year	57.6	14.9	11.8
Annual Adjustment Amount	183.0	25.0	172.0
Estimated Revenues	**$1,037.6**	**$872.9**	**$1,019.8**
Estimated Receipts-Cash Basis			
Cash Transfers	$797.0	$833.0	$836.0
Interest Income Earned During Fiscal Year	57.6	14.9	11.8
Annual Adjustment Amount	438.0	581.0	183.0
Estimated Available Receipts[2]	**$1,292.6**	**$1,428.9**	**$1,030.8**

[1] Source: FY 2010-11 MHSF (3085) Supplementary Schedule of Revenues and Transfers (Schedule 10R).

[2] Estimated available receipts do not include funds reverted under the Welfare and Institutions Code (WIC) 5892(h) or administration funds not appropriated for use under WIC 5892(d).

OVERALL REVENUES

Table 2 below displays actual, estimated, and projected MHSA revenue receipts deposited into the MHSF. Prior to FY 2008-09 this revenue was distributed based on percentages specified in the MHSA to the five major components: CSS, WET, CFTN, PEI, and INN. Beginning in FY 2008-09, the MHSA no longer specifies a percentage of funding for the CFTN and WET components. Beginning in FY 2008-09, 20 percent of MHSA revenue is allocated to PEI and the remaining 80 percent to CSS, with five percent of each of the funding streams used to support the INN component. Actual receipts are shown for FY 2008-09, while estimated receipts are shown for FY 2009-10 and projected receipts for FY 2010-11.

Note: *The FY 2010-11 Governor's Proposed Budget proposes to achieve $452.3 million in General Fund savings in FY 2010-11 based on amending the non-supplantation and maintenance-of-effort requirements of the MHSA to allow the use of MHSF for Early and Periodic Screening Diagnosis and Treatment ($391.1 million) and Mental Health Managed Care ($61.2 million). This proposal will require voter approval. If adopted, the revenue distribution for the components may change.*

Table 2: Mental Health Services Act (MHSA) Estimated Revenues

Estimated By Component on a Cash Basis

(Dollars in Millions)

	Fiscal Year		
	Actual Receipts	**Estimated Receipts**	**Projected Receipts**
	2008-09	**2009-10**	**2010-11**
Community Services and Supports (Excluding Innovation)	$933.3	$1,031.7	$744.2
Prevention and Early Intervention (Excluding Innovation)	233.3	257.9	186.1
Innovation	61.4	67.9	49.0
State Administration	64.6	71.4	51.5
Total Estimated Revenue Receipts[3]	**$1,292.6**	**$1,428.9**	**$1,030.8**

[3] Estimated available receipts do not include funds reverted under the WIC 5892(h) or administration funds not appropriated for use under WIC 5892(d).

EXPENDITURES FOR MHSA COMPONENTS

The MHSA specifies funding for the major components, which form the basis of the County's MHSA program. Estimated expenditures for the major components in FY 2009-10 are $1.3 billion and $1.6 billion in FY 2010-11. Implementation of each of the components has been staggered and expenditures have increased annually since the inception of the Act. This is partly due to the requirement in the MHSA that local program and funding decisions be driven by a community stakeholder process and the requirement for mandated local hearings and comment periods.

To consider input from all perspectives when developing the guidelines for this program, DMH created an extensive stakeholder process at both the state and local levels. In addition, local planning efforts involve clients, families, caregivers and partner agencies in identifying community issues related to mental illness and resulting from lack of community services and supports. These efforts also serve to define the populations to be served and the strategies that will be effective for providing the services, to assess capacity, and to develop the work plan and funding requests necessary to effectively deliver the needed services.

STATE ADMINISTRATIVE EXPENDITURES

The MHSA allows up to five percent of the total annual revenues including accrual transfers, in each fiscal year for state administrative expenditures to support DMH, MHSOAC, CMHPC and other state entities. In the FY 2010-11 Proposed Governor's Budget, MHSF are allocated as follows:

- **Judicial Branch** (FY 2008-09: $395,000; FY 2009-10: $1,000,000, FY 2010-11: $893,000). Supports the increased workload related to mental health issues in the courts.

- **State Controllers Office (**FY 2008-09: $21,000; FY 2009-10: $295,000; FY 2010-11: $727,000). Funding was made available to support the new Human Resource Management System payroll system.

- **Department of Consumer Affairs Regulatory Boards** (FY 2008-09: $236,000; FY 2009-10: $306,000; FY 2010-11: $91,000). Supports activities to ensure that educational and examination requirements for licensure of various disciplines within the State's mental health workforce continue to be relevant within a transforming system.

- **Office of Statewide Health Planning and Development** (FY 2008-09: $22,000; FY 2009-10: $929,000; FY 2010-11: $583,000). Supports three staff to support the development and implementation of the Mental Health Loan Assumption Program and to identify mental health professional shortage areas in California.

- **Department of Aging** (FY 2008-09: $93,000; FY 2009-10: $236,000; FY 2010-11: $218,000). Funds efforts to coordinate and improve access to mental health services for older adults and/or adults with disabilities.

- **Department of Alcohol and Drug Programs** (FY 2008-09: $501,000; FY 2009-10: $254,000; FY 2010-11: $272,000). Supports two positions -- one to focus on prevention issues and the other on treatment of co-occurring substance abuse and mental health disorders.

- **Department of Health Care Services** (FY 2008-09: $670,000; FY 2009-10: $968,000; FY 2010-11: $752,000). Supports increased workload in Medi-Cal as a result of the MHSA. This allocation also supports three positions to manage and support a contract to develop and implement the interdepartmental California Mental Health Disease Management program.

- **Managed Risk Medical Insurance Board** (FY 2008-09: $86,000; FY 2009-10: $173,000; FY 2010-11: $159,000). Supports one position to ensure effective coordination of services and collaboration between providers and administrators providing services to children who are seriously emotionally disturbed in the Healthy Families Program.

- **Department of Developmental Services** (FY 2008-09: $1,030,000; FY 2009-10: $1,121,000; FY 2010-11: $984,000). Supports services and training at the local level to more effectively address the needs of consumers who have both a developmental disability and a co-occurring mental illness (dually diagnosed).

- **Department of Mental Health** (FY 2008-09: $26,604,000; FY 2009-10: $34,305,000; FY 2010-11: $30,739,000). To continue its statutory requirement to implement and administer the MHSA and provide overall support for implementation of all MHSA components.

- **Mental Health Services Oversight and Accountability Commission** (FY 2008-09: $4,089,000; FY 2009-10: $4,089,000; FY 2010-11: $4,115,000). To support the increase in operating costs and contracts associated with statutory requirements to provide oversight of the MHSA.

- **Department of Rehabilitation (DOR)** (FY 2008-09: $162,000; FY 2009-10: $220,000; FY 2010-11: $198,000). Supports two positions to provide information and technical assistance to numerous counties and DOR districts to aid in the development of new or expanded cooperative contracts and new collaborative relationships.

- **Department of Social Services** (FY 2008-09: $759,000; FY 2009-10: $734,000; FY 2010-11: $712,000). Supports five positions to provide essential leadership, oversight, and expertise to social services and mental health partners.

- **Department of Education** (FY 2008-09: $430,000; FY 2009-10: $921,000; FY 2010-11: $613,000). Funds positions and contracts to implement a project entitled "Building Collaboration for Mental Health Services in California's Schools."

- **California State Library** (FY 2008-09: $72,000; FY 2009-10: $171,000; FY 2010-11: $165,000). Supports the equivalent of one full position and a partial position to enable the Library to provide a variety of reference, research, and bibliographic assistance and to develop and maintain a contemporary collection of materials (journals, books, reports, etc.) needed to support research efforts by DMH.

- **Board of Governors of the California Community Colleges** (FY 2008-09: $37,000; FY 2009-10: $158,000; FY 2010-11: $208,000). Supports one position to assist the Community Colleges in meeting the mental health needs of students.

- **Financial Information System for California (FI$Cal) (**FY 2008-09: $0; FY 2009-10: $0; FY 2010-11: $28,000). Funding was made available to support the FI$Cal project to transform the state's systems and workforce to operate in an integrated financial management system environment.

- **Military Department** (FY 2008-09: $0; FY 2009-10: $451,000; FY 2010-11: $406,000). Supports three two-year limited-term positions to develop a county-based mental health services liaison pilot program.

- **Department of Veterans Affairs** (FY 2008-09: $452,000; FY 2009-10 $466,000; FY 2010-11: $460,000). Supports two staff to support the development of a statewide veteran mental health referral network at the county level for all entities that may become access points for veterans and their families seeking mental health assistance.

For more detailed information, please visit the Web site at:
http://www.dmh.ca.gov/Prop_63/MHSA/State_Interagency_Partners.asp

Table 3 summarizes MHSA expenditures by component and by each state entity. It displays actual expenditures for the MHSA components for FY 2008-09, the estimated budget for FY 2009-10, and the projected budget for FY 2010-11.

Table 3: Mental Health Services Act Expenditures
January 2010
(Dollars in Thousands)

	Actual FY 2008-09	Estimated FY 2009-10	Projected FY 2010-11
Local Assistance			
Community Services and Supports	$650,000	$900,000	$783,600
Workforce Education and Training State Level Projects[4]	2,523	3,000	3,000
Capital Facilities and Technological Needs	108,400	0	0
Prevention and Early Intervention	252,900	310,000	196,500
Innovation	71,000	71,000	119,600
Subtotal, Major Program Categories	**$1,084,823**	**$1,284,000**	**$1,102,700**
Early and Periodic Screening Diagnosis and Treatment[5]	0	0	391,156
Mental Health Managed Care[5]	0	0	61,176
Total Local Assistance	**$1,084,523**	**$1,284,000**	**$1,555,032**
State Administrative Costs[6]			
Judicial Branch	$395	$1,000	$893
State Controllers Office	21	295	727
Department of Consumer Affairs Regulatory Boards	236	306	91
Office of Statewide Health Planning and Development	499	929	583
Department of Aging	93	236	218
Department of Alcohol and Drug Programs	501	254	272
Department of Health Care Services	670	968	752
Managed Risk Medical Insurance Board	86	173	159
Department of Developmental Services	1,030	1,121	984
Department of Mental Health	26,604	34,305	30,739
Mental Health Svcs Oversight & Accountability Commission	4,089	4,089	4,115
Department of Rehabilitation	162	220	198
Department of Social Services	759	734	712
Department of Education	430	921	613
California State Library	72	171	165
Board of Governors of the California Community Colleges	37	158	208
Financial Information System for California	0	0	28
Military Department	0	451	406
Department of Veterans Affairs	452	466	460
Total Administration	**$36,136**	**$46,797**	**$42,323**
GRAND TOTAL	**$1,120,959**	**$1,330,797**	**$1,597,355**

[4] $2.5 million in payments under the WET Loan Assumption program and $500,000 for expansion of the Song Brown program in FYs 2009-10 and 2010-11. Both programs are administered through the Office of Statewide Health Planning and Development (OSHPD). This funding is shown in the State Operations portion of the Governor's Budget consistent with existing OSHPD program budgets.

[5] The FY 2010-11 Governor's Proposed Budget proposes to achieve $452.3 million in General Fund savings in FY 2010-11 based on amending the non-supplantation and maintenance-of-effort requirements of the MHSA to allow the use of MHSF for Early and Periodic Screening Diagnosis and Treatment ($391.1 million) and Mental Health Managed Care ($61.2 million). This proposal will require voter approval. If adopted, the revenue distribution for the components may change

[6] State entities listed in Table 3 receive funding for "State Administrative Costs" in accordance with the five percent authorized by Welfare and Institutions Code Section 5892(d).