January 19, 2010

DMH INFORMATION NOTICE NO.: 10-01

TO: LOCAL MENTAL HEALTH DIRECTORS
    LOCAL MENTAL HEALTH PROGRAM CHIEFS
    LOCAL MENTAL HEALTH ADMINISTRATORS
    COUNTY ADMINISTRATIVE OFFICERS
    CHAIRPERSONS, LOCAL MENTAL HEALTH BOARDS

SUBJECT: PROPOSED GUIDELINES FOR THE MENTAL HEALTH SERVICES
        ACT (MHSA) FISCAL YEAR 2010/11 ANNUAL UPDATE TO THE
        THREE-YEAR PROGRAM AND EXPENDITURE PLAN

REFERENCE: WELFARE AND INSTITUTIONS CODE SECTION 5847,
            SUBDIVISION (b)

Pursuant to the responsibilities of the Department of Mental Health (DMH) and the Mental Health Services Oversight and Accountability Commission (MHSOAC) as outlined in Welfare and Institutions Code (WIC) Sections 5846 (c) and 5848 (c), this Information Notice provides proposed guidelines for Counties
\(^1\) to submit for the Fiscal Year (FY) 2010/11 annual update to their MHSA Three-Year Program and Expenditure Plans (Plan). Proposed guidelines and formats for funding requests for FY 2010/11 are provided for the Community Services and Supports (CSS), Workforce Education and Training (WET), Capital Facilities and Technological Needs (CFTN), Prevention and Early Intervention (PEI), and Innovation (INN) components. The guidelines and exhibits in this Information Notice apply only to the 2010-11 annual update. Guidelines and regulations governing future updates and Plans will be issued at a later date. Enclosure 1 contains a complete listing of Exhibits A through H, instructions, and all needed exhibits and supporting documents for the annual update and future updates. Enclosure 2 includes a list of allowable Community Program Planning (CPP) activities and expenditures. This Information Notice supersedes previous DMH guidance about previously approved programs in Information Notices Nos.: 08-17 and 08-28.

Pursuant to California Code of Regulations (CCR), title 9, sections 3300, 3310, subdivision (d), and 3315, subdivision (a), the FY 2010/11 annual update shall be developed with the participation of stakeholders. The CPP Process should build on previous and ongoing

\(^1\) “County” means the County Mental Health Department, two or more County Mental Health Departments acting jointly, and/or city-operated programs receiving funds per Welfare and Institutions Code section 5701.5 (Cal. Code Regs., tit. 9, § 3200.090).
engagement of stakeholders. A draft of the FY 2010/11 annual update or update shall be circulated for 30 days to stakeholders for review and comment. For the annual update, a public hearing by the local mental health board or commission is required. The public hearing must be held after the completion of the 30-day public comment period. (Welf. & Inst. Code § 5848, subd. (b))

Counties that have not yet submitted a Three-Year Program and Expenditure Plan that includes a WET or CFTN component, but intend to do so separately from this annual update, may include the applicable component’s Funding Request for FY 2010/11 from this Information Notice (Exhibit E1–E3) in place of any previously released funding request worksheet. Counties that have not yet submitted a Three-Year Program and Expenditure Plan that includes all of the components should continue to meet the guidelines for the component.

I. DEFINITIONS

Previously, the term “work plan” was used to describe MHSA funded programs, projects and actions of the various components. The following terms now apply:

- **Annual update** is the yearly update to the County’s Three-Year Program and Expenditure Plan that is required by WIC section 5847, subdivision (b).

- **Update** is any update to the Three-Year Program and Expenditure Plan other than the annual update.

- **Program** is one or more services or activities used in an organized manner to provide strategies for services and supports to an individual to achieve positive outcomes (CSS, WET, INN). This includes housing through the General Systems Development and MHSA Housing Program service categories of the CSS component. For INN, “Program” has its primary focus on contributing to learning rather than providing a service. It introduces a novel, creative, and/or ingenious approach to a variety of mental health practices, including those aimed at prevention and early intervention. For PEI, “program” is composed of one or more PEI activities that are designed to address one or more PEI Key Community Needs and one or more PEI Priority Populations to meet specific outcomes identified through the County’s Community Program Planning process.

- **Project** is used to describe Capital Facilities and Technological Needs projects.

- **Work plan** is the document that the county submits to DMH and MHSOAC for each program/project in the Three-Year Program and Expenditure Plan, annual update or update. The work plan for the annual update is comprised of a MHSA Funding Request (Exhibit E), a budget detail/narrative (Exhibit F), and a CSS/WET/CF/TN/PEI/INN New Program/Project Description (Exhibit F1-F5).
II. PROGRAMS AND PROJECTS

A. PROGRAMS

1. Previously Approved Programs

Pursuant to Welfare and Institutions Code section 5847, subdivision, (g)(2), the Department of Mental Health (DMH) evaluation of a county Plan or update is limited to only programs that have not been previously approved or that have previously identified problems that have been conveyed to the County. This section also requires DMH to distribute funds for the renewal of previously approved programs prior to the approval of a County’s Plan or annual update or update. Previously approved programs remain approved by DMH or when applicable, the MHSOAC, and should be described in Exhibit D. Definitions of “previously approved programs” for each component are discussed below. Counties must indicate on Exhibit E from which fiscal year funds will be used for previously approved programs. The amount of funds requested for previously approved programs should be the same amount as was approved for the program in the County’s previous Plan or update (within the percentages as described below).

a) Community Services and Supports and Workforce Education and Training

An existing CSS/WET program with no changes is considered previously approved.

Existing CSS/WET Programs proposed to be consolidated, expanded or reduced are considered previously approved Programs if both of the following criteria are met:

- The consolidated/expanded/reduced program serves the same target populations with the same services/strategies/activities as approved in the County’s most recent Plan or update.
- The amount of funds the County is requesting for the consolidated program is within 15 percent of the sum of the previously approved programs being consolidated (it can be 15% more or 15% less than the previously approved funding amount) or
- The amount of funds the County is requesting for the expanded/reduced program is within 15 percent of the amount that was previously approved for the program (it can be 15% more or 15% less than the previously approved funding amount).

b) Innovation

An existing INN program with no changes is considered previously approved.
Existing INN programs with changes are considered previously approved if both of the following criteria are met:

- Continues to address the same essential purpose(s) and key learning goals using programs or strategies consistent with the most recently approved Plan, annual update, or Plan update; and;
- The amount of funds the County is requesting for the program is within 15 percent (15%) of the amount previously approved for the program (it can be 15% more or 15% less than the previously approved funding amount).

c) Prevention and Early Intervention

An existing PEI program with no changes is considered previously approved.

An existing PEI program with changes is considered previously approved program if it meets both of the following criteria:

- Continues to serve the same Key Community Mental Health Needs and Priority Populations with the programs that are consistent with the most recently approved Plan or update; and
- The amount of funds the county is requesting for the program is not greater than 15 percent (15%) or less than 35 percent (35%) of previously approved for the program. (Due to the significant decrease in PEI Planning Estimates, the percentage is different for PEI than for the other components to allow for flexibility.)

Existing PEI Programs proposed to be consolidated are considered previously approved Programs if both of the following criteria are met:

- Continues to serve the same Key Community Mental Health Needs and Priority Populations with the programs that are consistent with the most recently approved annual update; and
- Continues to serve the same estimated number of individuals.

The consolidated previously approved PEI program does not have to meet the funding limits of not greater than 15 percent (15%) or less than 35 percent (35%) of previously approved costs.

Consistent with the PEI Guidelines, the County must reflect programs that address all age groups and minimum of 51 percent of the County’s total PEI funds shall be used to serve individuals who are under 25 years of age. Small counties, as defined in CCR, Title 9 section 3200.260, are exempt from this requirement.
2. New Programs

a) Community Services and Supports and Workforce Education and Training

If the County’s annual update includes new programs or proposes to continue existing programs with changes in the target population, service description, services/strategies/activities, or funding levels beyond or below 15% of the currently approved CSS and/or WET program(s), Counties must request approval through the Plan update process using Exhibits F and F1. Counties must also include a description and justification of the previously approved programs that are being consolidated, expanded and/or reduced on Exhibit F1.

Existing programs that the County proposes to consolidate, expand and/or reduce are considered new programs when the following apply:

- There are changes to the services/strategies/activities to the target population originally approved; or
- The expansion or reduction of the program has increased or reduced the funding beyond 15% from the previously approved funding level in the County’s most recently Plan or update.

b) Innovation

For INN, including new INN Programs or existing INN Programs that propose to change the essential purpose and/or learning goals, or expand or reduce funding levels greater than 15 percent from the currently approved Program, Counties must request approval through the annual update process. Consolidating previously approved INN Programs is considered a new Program. For New INN programs, Counties must complete Exhibit F6. For existing INN programs with changes, Counties must complete Exhibit D.

c) Prevention and Early Intervention

For new PEI programs or existing PEI programs that propose to change the Key Community Mental Health Needs, Priority Populations, expand funding levels by greater than 15 percent (15%) or reduce by more than 35 percent (35%) from the previously approved Program, Counties must request approval through the annual update process using Exhibit F5.

Consistent with the PEI Guidelines, the County must reflect programs that address all age groups and at least 51 percent (51%) of the total PEI funds received by the County in a fiscal year shall be used to serve individuals who are under 25 years of age. Small counties, as defined in CCR, Title 9 Section 3200.260, are exempt from this requirement.
3. ** Majority Requirement for Full Service Partnerships (FSP)**

Pursuant to California Code Regulations (CCR), title 9, section 3620, subdivision (c), a County is required to "direct the majority of its Community Services and Supports funds to the Full-Service Partnership ['FSP'] Service Category." “Community Services and Supports funds” may include any funds that are considered and used for the programs approved through the CSS component of the Plan.

A County may choose to provide FSP services using funds other than MHSA funds, including but not limited to Medi-Cal, Medicare, and State General Fund. If Counties use non-MHSA funds to augment CSS FSP programs, those funds may be considered part of the County’s CSS funds for the purposes of CCR section 3620, subdivision (c), and are allowed to be used to meet the majority requirement for FSPs.

To determine whether a County is meeting the requirement of section 3620, subdivision (c), DMH requires Counties to identify non-MHSA funds used for CSS programs in their annual updates on Exhibit E1. If Counties do not direct the majority of their MHSA CSS funds to FSP programs, they must provide an explanation and specify the amount and type of non-MHSA matching funds used to meet the majority requirement. Per CCR section 3505, subdivisions (a) through (b), Counties are responsible for maintaining these records and ensuring that the identified funds match the Cost Report.

**B. PROJECTS**

a) **Capital Facilities and Technological Needs**

Projects approved under the CFTN component of the County’s Three-Year Program and Expenditure Plan are, by their very nature, considered to be single, time-limited projects and, as such, do not qualify under WIC Section 5847 subdivision (g)(2) for distribution of funds as a previously approved program. Requests for CFTN funds should follow the guidelines for a new project.

DMH acknowledges that occasionally a County may require additional funds to complete an existing, previously approved CFTN project. Examples of situations where additional funds are needed but the scope of the project is not expanded include, but are not limited to: costs associated with training, additional materials/hardware or increased costs in vendor or professional services. Counties requesting additional funds for an existing project should provide a justification of why the initial funding was insufficient to complete the project and explain how the additional funds will be used. Expansion of
an existing CFTN project beyond the originally approved scope would be considered a new project.

Exhibits E3, F, F2 and F3 have been designed for counties to submit the information needed for both new projects and requests for additional funds for existing projects. Each new TN project requires the appropriate signatures as indicated on Page 5 of Exhibit F3.

- For new or existing capital facilities projects, counties must complete Exhibits E3, F and the applicable section of Exhibit F2.
- For new or existing Technological Needs projects, counties must complete Exhibits E3, F and the applicable section of Exhibit F3.

Note that Exhibits F2 and F3 replace Enclosures 2 and 3, respectively, of DMH Information Notice No.: 08-09 for submission of CFTN Project Proposals. CFTN Project Proposals are now known as work plans. Enclosure 1 of DMH Information Notice No.: 08-09 is still required for Counties that do not have an approved Plan with a CFTN component.

C. ELIMINATION

Counties must complete Exhibit D1 for each program/project proposed for elimination and provide:

- A brief description of the rationale for the elimination of the previously approved programs/projects, and if applicable, the impact on the population to be affected by the change, if any; and
- A written notification to DMH and MHSOAC within 45 days of the decision to eliminate, which includes the basis for the decision and an explanation of the stakeholder involvement/input in that decision.

For all components, the County must describe the reasonable efforts made to ensure that all parties affected, including stakeholders, have been advised by public notice of the Program’s discontinuance on Exhibit C.

If a request to eliminate a program/project is submitted separately from the annual update, the County must submit Exhibits A, B, C, D1, and E1 – E5 accordingly.

III. FISCAL INFORMATION

Counties are responsible for administering MHSA funds consistent with MHSA statutes, regulations, guidelines and program objectives, and need to ensure county records support and substantiate approved expenditures. All costs must be necessary and reasonable for proper and efficient performance of the MHSA. DMH has the
responsibility to ensure the distribution of MHSA funds is for reasonable and necessary expenditures, pursuant to section 3 of the MHSA, subdivisions (d) and (e).

A. Community Program Planning (CPP) Funding Limits

Consistent with California Code of Regulations, title 9, section 3300, subdivision (d), Counties may use up to five percent (5%) of their Planning Estimates for the CPP Process. Accordingly, each County may spend up to five percent (5%) of the total amount of its combined annual Planning Estimates for all components, not to exceed five percent (5%) of any single component’s Planning Estimate per FY. Counties choosing to use funds for the CPP Process should indicate the use of these funds on Exhibit E.

Funds may be used to plan for any of the components regardless of the Planning Estimates from which the funds originated provided the County does not exceed the maximum limit of five percent (5%). For example, CPP funds from the CSS Planning Estimate may be spent on planning activities for CSS and any other component as long as the funded activities meet the criteria for allowable activities specified in Enclosure 2.

There is an exception to the above-referenced policy regarding the 5% limitation of any single component. This exception only applies to Counties that have never submitted a Three Year Program and Expenditure Plan that contains a PEI and/or INN component. In such cases, Counties may exceed the 5% overall funding limit in order to plan for their first PEI and/or INN components. For more information regarding the exemption for PEI and INN Components see DMH Information Notices Nos.:08-27, 08-36, and 09-02.

B. Administrative Costs

Administrative costs are allowable to the extent they are consistent with the requirements of Welfare and Institutions Code section 5891, subdivision (a), and California Code of Regulations, title 9, section 3410.

Administrative costs are divided into two categories:

- Direct service costs, and
- Indirect administrative costs.

1. **Direct service administrative costs** are those costs associated with the delivery of services to clients that can be tied to a specific program/project. Direct expenditures do not include funds dedicated to the CSS operating reserve or Local Prudent Reserve.
Typical allowable direct costs are:

- Salaries and benefits of employees for the time devoted specifically to the provision of services or activities through an approved MHSA program/project;
- Operating expenses, such as training costs for staff providing direct client services;
- Cost of materials and supplies acquired and used specifically for the approved MHSA programs/projects;
- Travel expenses incurred specifically to implement an approved MHSA program/project;
- Costs of contracts for the delivery of direct client services through an approved MHSA program/project.

These direct service administrative costs should be included in the work plan budget for the program/project.

2. Indirect administrative costs are those support costs that are incurred for a common or joint purpose and cannot be readily identified as benefiting only one MHSA program or project. Indirect costs of this type may originate in a specific department (i.e. the county mental health department), or may originate in other departments that supply goods, services and facilities for the county as a whole (i.e. the county administrative office).

These costs are appropriately charged to an MHSA program/project through an acceptable allocation method that allocates the costs of support and administrative services to the benefiting programs/projects. The share of costs attributed to the MHSA funding stream should be in proportion to the extent the MHSA program/project benefits from the support activity.

Typical indirect administrative costs allowed for MHSA programs/projects are:

- Salaries and benefits of employees in support units such as accounting and budgeting, or centralized personnel units,
- Operating expenses associated with staff who do not provide direct client services;
- The MHSA portion of the countywide A-87 costs.

Counties may request MHSA funding for indirect administrative costs in an amount not to exceed 15 percent (15%) of the total cost of direct client services. If a county’s indirect costs will be more than 15 percent (15%) of the total cost of direct client services, a County may request funding for indirect administrative costs above the 15 percent (15%) level. Requests above the 15 percent (15%) level must be accompanied by a signed statement by the county Mental Health Director that:
• The additional costs are based on an acceptable allocation method, consistently applied by the county in similar circumstances, which allocates an increased share of costs to the MHSA funding stream in proportion to the benefit to the program/project; and,
• That these costs do not violate the requirements of Welfare and Institutions Code section 5891, subdivision (a), and California Code of Regulations section 3410.

Proper documentation of this allocation methodology must be kept by the County to justify this request and may be subject to review by the Department. Administrative costs are identified on the applicable Exhibit E1–E5.

C. Operating Reserve

An operating reserve of up to ten percent (10%) of the total amount requested for direct program/project expenditures and administrative costs for each component is allowed. When determining the ten percent for the operating reserve, Counties should not include any funds requested for transfer to the Local Prudent Reserve. The operating reserve may be used by Counties at any time to provide funding for unexpected increases in costs or decreases in revenues associated with previously approved programs, or unforeseen administrative costs consistent with the requirements of the applicable component and the MHSA. Operating reserve funds may be requested in Exhibit E1–E5.

D. Redirection of CSS Funds

Welfare and Institutions Code section 5892, subdivision (b), specifies that in any year after FY 2007/08, an amount not to exceed 20 percent (20%) of the average amount of funds allocated to each County for the previous five years may be redirected from the CSS Planning Estimate to fund the County’s Local Prudent Reserve, WET or CFTN. Please see Information Notice 09-20, dated December 10, 2009, for the specific county-by-county 20 percent (20%) limit on the use of CSS funds. Counties should indicate requests to transfer CSS funds on Exhibit E. The transfer of CSS funding to Capital Facilities and Technological Needs, Workforce Education and Training and/or the Local Prudent Reserve is irrevocable.

E. Local Prudent Reserve

DMH Information Notice No.: 09-16 requires Counties to fund the Local Prudent Reserve at 50 percent (50%) of the most recent approved funding level for the CSS component and the PEI component. The 50 percent (50%) funding level is calculated based on the amount requested in the current annual update/update. DMH Information Notice No.: 09-16 also indicated that during periods when access to the Local Prudent Reserve is allowed, the 50 percent (50%) funding level requirement will be suspended. Welfare and Institutions Code section 5847,
subdivision (b)(7), requires that funds set aside in the Local Prudent Reserve be made available during years in which “revenues for the Mental Health Services Fund are below recent averages adjusted by changes in the state population and the California Consumer Price Index.” Based on current revenue projections and adjustment factors, DMH has determined that the threshold has been met. Counties will be allowed to access their Local Prudent Reserves effective FY 2010/11. Therefore, the 50 percent (50%) Local Prudent Reserve level requirement is being suspended in FY 2010/11.

For FY 2010/11, DMH will also suspend the requirement that Counties return to FY 2007/08 funding levels and dedicate future funding to the Local Prudent Reserve until they meet the required level. Once access to the Local Prudent Reserve is no longer allowed, Counties will be expected to replenish the Local Prudent Reserve to the required levels.

- **Funding the Local Prudent Reserve:**

  Although the 50 percent (50%) Local Prudent Reserve level requirement is being suspended in FY 2010/11, Counties choosing to continue funding their Local Prudent Reserves may do so by submitting an Exhibit G. Consistent with Welfare and Institutions Code section 5892, subdivision (b), an amount equal to 20 percent (20%) of the average amount of funds allocated to each County for the previous five years may be irrevocably redirected from the CSS Planning Estimate to fund the County’s Local Prudent Reserve, CFTN and WET.

- **Accessing the Local Prudent Reserve:**

  Counties that choose to access funds in their Local Prudent Reserve in FY 2010/11 will need to identify the amount being requested from their Local Prudent Reserve for CSS and PEI on Exhibit E. Counties may access all or part of the funds set aside in their Local Prudent Reserves by requesting these funds through a Three-Year Program and Expenditure Plan, annual update or update and may use these funds to pay for any services allowable under the CSS and/or PEI components.

F. **Unapproved Funding Limitations**

Requests for unapproved funds from prior years’ Planning Estimates that have not been requested may be submitted through the Three-Year Program and Expenditure Plan, an annual update or an update on Exhibit E. Counties may not implement any new CSS, WET, CFTN, PEI, or INN program/project using MHSA funds until the Department and/or MHSOAC, as applicable, has issued written approval of the County’s request. Counties electing to begin the delivery of services for new programs using non-MHSA funds prior to DMH and/or MHSOAC approval of their
Plans/updates may not seek reimbursement for these expenditures from MHSA funds if their requests for MHSA funds are ultimately not approved.

Counties wishing to use unapproved funds for previously approved or new programs/projects should indicate the use of these funds when completing Exhibit E.

G. MHSA Housing Program – Supplemental Assignment Agreement

Each County is allowed to assign funds from its CSS Planning Estimate to the MHSA Housing Program. Provision 10 of the MHSA Agreement indicates that such assignment will occur through an assignment agreement executed between the County and DMH, which specifies the purpose of the agreement and the source of the funds.

Under previous separate cover, each County was sent an assignment agreement to allow the County to participate in the state-administered MHSA Housing Program funded from the CSS component of the MHSA. That document may continue to be used to assign funds from the County’s MHSA Housing Program Planning Estimate.

Counties wanting to assign additional funds to the MHSA Housing Program from their unapproved CSS Planning Estimate funds may do so by completing the Supplemental MHSA Housing Program Assignment Agreement (Exhibit H). Additional funding assigned from CSS funds can be used for operating subsidies or capital costs of the MHSA Housing Program without the limits on operating subsidies that are in effect for funding provided through DMH Letter No.: 07-06.

IV. SUBMISSION

One hard copy and one electronic copy that is a single document in pdf format should be submitted to both the MHSA Plan Review Section and to the MHSOAC.

The address for the MHSA Plan Review Section is:

Mailing address:  
MHSA Plan Review Section  
Department of Mental Health  
1600 9th Street, Room 150  
Sacramento, CA 95814  
E-mail: ccta@dmh.ca.gov
MHSOAC copies should be sent to:

Mailing Address:  
MHSOAC  
1300 17th Street, Suite 1000  
Sacramento, CA 95811  
E-mail: MHSOAC@dmh.ca.gov

To ensure timely payment by July 1, 2010, for FY 2010/11 funding requests, the County must submit its annual update no later than April 15, 2010.

V. REVIEW TOOLS

DMH is developing review tools for evaluating and assessing the annual updates and/or updates and anticipates the release of these tools within 60 days from the date of issuance of this Information Notice. Review tools will be posted on the DMH website at: http://www.dmh.ca.gov/Prop_63/MHSA/MHSA_Fiscal_References.asp

If you have questions about the CSS, CFTN, and/or WET component(s), please contact your MHSA Plan review representative identified on the following DMH website:  
http://www.dmh.ca.gov/Services_and_Programs/Local_Program_Support/default.asp

If you have questions about the PEI and/or INN component(s), please contact the MHSOAC at (916) 445-8696.

Sincerely,

Original signed by

STEPHEN W. MAYBERG, Ph.D.  
Director

Enclosures (2)

cc: California Mental Health Planning Council  
California Mental Health Directors Association  
Mental Health Services Oversight and Accountability Commission  
Deputy Director, Community Services Division