

DATE: August 2, 2024

Behavioral Health Information Notice No: 24-029

TO: California Alliance of Child and Family Services  
California Association for Alcohol/Drug Educators  
California Association of Alcohol & Drug Program Executives, Inc.  
California Association of DUI Treatment Programs  
California Association of Social Rehabilitation Agencies  
California Consortium of Addiction Programs and Professionals  
California Council of Community Behavioral Health Agencies  
California Hospital Association  
California Opioid Maintenance Providers  
California State Association of Counties  
Coalition of Alcohol and Drug Associations  
County Behavioral Health Directors  
County Behavioral Health Directors Association of California  
County Drug & Alcohol Administrators

SUBJECT: Prudent Reserve Funding Levels

PURPOSE: To inform counties of the maximum prudent reserve level for Fiscal Year (FY) 2023-24 and the requirement for counties to reassess and certify the maximum prudent reserve level.

REFERENCE: Mental Health Services Act: Implementation of Welfare and Institutions Code (W&I) Sections 5847(b)(7) and 5892(b) and (h). California Code of Regulations (CCR), Title 9, Section 3420.30.

**BACKGROUND:**

Per W&I Section 5847(b)(7), a County is required to establish and maintain a prudent reserve. W&I Code section 5892(b)(2) requires counties to maintain a prudent reserve that does not exceed 33 percent of the average community services and support (CSS) revenue received for the Local Mental Health Services Fund in the preceding five years, and to reassess and certify the maximum amount every five years.

**POLICY:**

Each county must calculate an amount to establish its prudent reserve that does not exceed 33 percent of the average amount allocated to the CSS component in FY 2018-19, 2019-20, 2020-21, 2021-22, and 2022-23.

To determine the average amount allocated to the CSS component over those five fiscal years, a county must calculate the sum of all distributions from the MHSF from July 1, 2018 through June 30, 2023, multiply that sum by 76 percent, add the amount of CSS funds that were reallocated to the county during the same period, then divide that product by five.

To determine the maximum prudent reserve level, a county must multiply the average amount allocated to the CSS component of the previous five years by 33 percent. DHCS completed this calculation for all counties in Enclosure 1.

DHCS utilizes distribution data from the State Controller's Office (SCO). Funds distributed by the SCO will include actual distributions to counties made from July through June of each fiscal year. Distribution amounts are available in the [Monthly Mental Health Service Fund reports](#) on the SCO website. Reallocated CSS amounts are available on the [MHSA Fiscal website](#).

To reassess the maximum prudent reserve funding level, counties must complete the Mental Health Services Act Prudent Reserve Assessment/Reassessment form ([DHCS 1819](#)) and submit to DHCS. All counties are required to submit to DHCS the MHSA Prudent Reserve Assessment/Reassessment form to [MHSA@dhcs.ca.gov](mailto:MHSA@dhcs.ca.gov) within 60 days of this information notice.

Please send any questions regarding this Information Notice to [MHSA@dhcs.ca.gov](mailto:MHSA@dhcs.ca.gov).

Sincerely,

Original signed by

Marlies Perez, Chief  
Community Services Division

Enclosure