

Mental Health Services Act Expenditure Report

Fiscal Year 2008-09

ADDENDUM

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 2008-09

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EXECUTIVE SUMMARY

This report to the Legislature is submitted as an addendum to the January 2009 report and provides an update on revenues and expenditures over the four months since the prior report was issued.

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 \$4.7 billion in additional revenues for mental health services through the end of Fiscal Year (FY) 2007-08. The Governor's proposed budget expected to generate an additional \$1 billion in FY 2008-09 and \$914 million in FY 2009-10. In the Governor's May Revision, the estimate is reduced to \$955.8 million in FY 2008-09 and \$717.6 million in FY 2009-10. On a cash basis, this equates to \$1.3 billion in FY 2008-09 and \$1.4 billion in FY 2009-10.

Approximately \$1.5 billion has been expended in FY 2007-08. Additionally, \$1.6 billion is estimated to be expended in FYs 2008-09 and 2009-10.

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 these reports contain information regarding the projected expenditure 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 2007-08, estimated expenditures for FY 2008-09, and projected expenditures for FY 2009-10.

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 was 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 strategies that are being 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**—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**—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 (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 allowable in each fiscal year to be used to support DMH, the Mental Health Oversight and Accountability Commission (MHSOAC), the California Mental Health Planning Council (CMHPC) and other state entities (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 authors of the MHSA projected the act would generate approximately \$2.36 billion through FY 2007-08, but the actual amount collected exceeded more than \$4.7 billion. This includes both the income tax payments and interest income earned on the Mental Health Services (MHS) Fund balance.

The amounts actually collected differ slightly from estimated MHSA revenues displayed in the Governor's Budget. This is because the Governor's Budget, prepared using generally accepted accounting principles, must show revenue as earned, and therefore, shows accruals for revenues not yet received by the close of the fiscal year. The fiscal information described in this report is presented on a cash basis and is reflective of funds actually received in the fiscal year. Table 1 provides a comparison between estimated revenues on an accrual basis for the Governor's Budget versus cash deposits into the MHS Fund 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 MHS Fund in accordance with Revenue and Taxation Code Section 19602.5(b). The difference between the figures shown for FY 2007-08 is due to the timing of the June Cash Transfer, a portion of which is not deposited until the end of July. A similar difference will occur in FYs 2008-09 and 2009-10 once revenue for those years becomes final.

Similarly, "Interest Income" is comparable under either accounting approach. Differences shown for FY 2007-08 are attributable to interest earned on monies in the MHS Fund in the fourth quarter of each fiscal year which is not deposited into the MHS Fund until the next fiscal year. As with the "Cash Transfers," a similar difference will occur in FYs 2008-09 and 2009-10 once interest payments for those years become final.

The differences in the "Annual Adjustment Amount" are more prominent. This is because the Annual Adjustment Amount shown in the Governor's Budget will not actually be deposited into the MHS Fund until two fiscal years after the revenue is earned.

**Table 1: Comparison between Mental Health Services Act Estimated Receipts
And Governor's Budget
(Dollars in Millions)**

	Fiscal Year		
	2007-08	2008-09	2009-10
Governor's May Revision FY 2009-10 Budget*			
Cash Transfers	\$983.0	\$823.0	\$840.0
Interest Income Earned During Fiscal Year	96.4	43.8	11.6
Annual Adjustment Amount	581.1	89.0	-134.0
Estimated Revenues-May Revision FY 2009-10 Budget	\$1,660.5	\$955.8	\$717.6
Estimated Receipts-Cash Basis			
Cash Transfers	\$983.9	\$823.0	\$840.0
Interest Income Earned During Fiscal Year	94.4	43.8	11.6
Annual Adjustment Amount	423.7	438.4	581.1
Estimated Available Receipts	\$1,502.0	\$1,305.2	\$1,432.7

*Source: 2009-10 May Revision MHS Fund (3085) Supplementary Schedule of Revenues and Transfers (Schedule 10R)

OVERALL REVENUES

Table 2 below displays actual and estimated MHSA revenue receipts deposited into the MHS Fund. This revenue is distributed to the five major program categories and state administration using the percentages specified in Welfare and Institutions Code Section 5892. Actual receipts are shown for FY 2007-08, while estimated receipts are shown for FY 2008-09 and projected receipts for FY 2009-10.

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
	2007/08	2008/09	2009/10
Community Services and Supports (Excluding Innovation)	\$784.8	\$942.6	\$1,034.5
Workforce Education and Training	150.2	0.0	0.0
Capital Facilities and Technological Needs	150.2	0.0	0.0
Prevention and Early Intervention (Excluding Innovation)	285.4	235.6	258.6
Innovation	56.3	62.0	68.0
State Administration	75.1	65.0	71.6
Total Estimated Revenue Receipts	\$1,502.0	\$1,305.2	\$1,432.7

EXPENDITURES FOR MHSA COMPONENTS

The MHSA specifies funding for five major components, which form the basis of the County's MHSA program. Estimated expenditures for the five major components in FY 2008-09 and 2009-10 are \$1.5 billion. 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

MHSA allows up to five percent of the total revenues including accrual transfers, in each fiscal year for state administrative expenditures to support DMH, MHSOAC, CMHPC and other state entities. In FY 2009-10, MHS Funds are allocated as follows:

- **Department of Mental Health** (FY 2007-08: \$20,166,000; FY 2008-09: \$35,577,000; FY 2009-10: \$35,385,000). To continue its statutory requirement to implement and administer the MHSA and to provide overall support for implementation of all MHSA components. The Governor's May Revision increase DMH's budget by 1.26 million in FY 2009-10 for the California Health Information Survey (CHIS) of 2009.
- **Mental Health Services Oversight and Accountability Commission** (FY 2007-08: \$2,024,000; FY 2008-09: \$4,089,000; FY 2009-10: \$4,739,000). To support the increase in operating costs and contracts associated with statutory requirements to provide oversight of the MHSA.
- **Department of Aging** (FY 2007-08: \$44,000; FY 2008-09: \$95,000; FY 2009-10: \$246,000). Funds efforts to coordinate and improve access to mental health services for older adults and/or adults with disabilities.
- **Department of Education** (FY 2007-08: \$682,000; FY 2008-09: \$338,000; FY 2009-10: \$983,000). Funds positions and contracts to implement a project entitled "Building Collaboration for Mental Health Services in California's Schools."

- **Department of Alcohol and Drug Programs** (FY 2007-08: \$482,000; FY 2008-09: \$507,000; FY 2009-10: \$288,000). 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 Consumer Affairs Regulatory Boards** (FY 2007-08: \$58,000; FY 2008-09: \$299,000; FY 2009-10: \$306,000). 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.
- **Department of Developmental Services** (FY 2007-08: \$0; FY 2008-09: \$1,119,000; FY 2009-10: \$1,121,000). 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 Health Care Services** (FY 2007-08: \$578,000; FY 2008-09: \$795,000; FY 2009-10: \$992,000). 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.
- **Department of Rehabilitation (DOR)** (FY 2007-08: \$77,000; FY 2008-09: \$209,000; FY 2009-10: \$220,000). 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 2007-08: \$460,000; FY 2008-09: \$768,000; FY 2009-10: \$796,000). Supports five positions to provide essential leadership, oversight, and expertise to social services and mental health partners.
- **Military Department** (FY 2007-08: \$0; FY 2008-09: \$0; FY 2009-10: \$451,000). Supports three two-year limited-term positions to develop a county-based mental health services liaison pilot program.
- **Department of Veterans Affairs** (FY 2007-08: \$0; FY 2008-09: \$496,000; FY 2009-10: \$484,000). 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.
- **Judicial Branch** (FY 2007-08: \$0; FY 2008-09: \$432,000; FY 2009-10: \$998,000). Supports the increased workload related to mental health issues in the courts.

- **Board of Governors of the California Community Colleges** (FY 2007-08: \$0; FY 2008-09: \$175,000; FY 2009-10: \$175,000). Supports one position to assist the Community Colleges in meeting the mental health needs of students.
- **California State Library** (FY 2007-08: \$0; FY 2008-09: \$169,000; FY 2009-10: \$171,000). 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.
- **Managed Risk Medical Insurance Board** (FY 2007-08: \$156,000; FY 2008-09: \$179,000; FY 2009-10: \$181,000). 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.
- **Office of Statewide Health Planning and Development** (FY 2007-08: \$0; FY 2008-09: \$278,000; FY 2009-10: \$727,000). 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.
- **State Controllers Office** (FY 2007-08: \$49,000; FY 2008-09: \$42,000; jFY 2009-10: \$0). Funding was made available to support the new Human Resource Management System payroll system.

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 component expenditures and MHSA expenditures for each State entity. It displays actual expenditures for the MHSA components for FY 2007-08, the estimated budget for FY 2008-09, and the projected budget for FY 2009-10.

Table 3: Mental Health Services Act Expenditures
May 2009
(Dollars in Thousands)

	Actual FY 07-08	Estimated FY 08-09	Projected FY 09-10
Local Assistance			
Community Services and Supports	\$1,481,598	\$720,000	\$900,346
Workforce Education and Training	11,802	36,069	27,618
Workforce Education and Training State Level Projects*	0	3,000	3,000
Capital Facilities and Technological Needs	0	334,337	119,063
Prevention and Early Intervention	0	344,144	387,523
Innovation	0	71,000	71,000
Total Local Assistance	\$1,493,400	\$1,508,550	\$1,508,550
State Administrative Costs**			
Department of Mental Health	\$20,166	\$35,577	\$35,385
Mental Health Services Oversight and Accountability Commission	2,024	4,089	4,739
Department of Aging	44	95	246
Department of Education	682	338	983
Department of Alcohol & Drug Programs	482	507	288
Department of Consumer Affairs Regulatory Boards	58	299	306
Department of Developmental Services	0	1,119	1,121
Department of Health Care Services	578	795	992
Department of Rehabilitation	77	209	220
Department of Social Services	460	768	796
Military Department	0	0	451
Department of Veterans Affairs	0	496	484
Judicial Branch	0	432	998
Board of Governors of the California Community Colleges	0	175	175
California State Library	0	169	171
Managed Risk Medical Insurance Board	156	179	181
Office of Statewide Health Planning and Development	0	278	727
State Controllers Office	49	42	0
Total Administration	\$24,776	\$45,567	\$48,263
GRAND TOTAL	\$1,518,176	\$1,554,117	\$1,556,813

*Includes \$2.5 million in payments under the Workforce Education and Training Loan Assumption program and \$500,000 for expansion of the Song Brown program in both FYs 2008-09 and 2009-10. Both programs are administered through the Office of Statewide Health Planning and Development (OSHPD). The \$2.5 million is shown in the State Operations portion of the Governor's Budget consistent with existing OSHPD program budgets.

**State entities listed in Table 3 receive funding for "State Administrative Costs" in accordance with the five percent allowed in Welfare and Institutions Code 5892(d).