

Mental Health Services Act Expenditure Report

Fiscal Year 2007-2008

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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Table of Contents

Executive Summary.....Page 1

Background.....Page 1

Explanation of Estimated Revenues.....Page 3

Overall Revenues.....Page 5

**Expenditures for Components of the Three-Year Program
and Expenditure Plan.....Page 6**

State Administrative Expenditures.....Page 6

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 1 percent income tax on personal income in excess of \$1 million. This new tax has generated more than \$2.1 billion in additional revenues for mental health services through the end of Fiscal Year (FY) 2006-07 and is anticipated to generate an additional \$1.6 billion in FY 2007-08 and \$1.7 billion in FY 2008-09 based on the Governor's Proposed FY 2008-09 Budget. This equates to \$1.5 billion in FY 2007-08 and \$1.5 billion in FY 2008-09 on cash basis.

More than \$645 million has been distributed to local agencies through the end of FY 2006-07. Additionally, close to \$1 billion is anticipated to be distributed in each of FY 2007-08 and FY 2008-09.

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 and the other in conjunction with the Governor's May Budget 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 2006-07, estimated expenditures for FY 2007-08, and projected expenditures for FY 2008-09.

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 a Three-year Program and Expenditure Plan (Plan) around which the Department of Mental Health (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 (5 percent of CSS and 5 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 (MHSAOAC), and the California Mental Health Planning Council (CMHPC).

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

EXPLANATION OF ESTIMATED REVENUES

By imposing a 1 percent income tax on personal income in excess of \$1 million, the MHSA was initially projected to generate approximately \$1.66 billion in FY 2004-05 through FY 2006-07 and increasing amounts currently thereafter. The actual amount collected through the end of FY 2006-07 exceeded these projections and totals more than \$2.1 billion. This includes both the income tax payments and interest income earned on the 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. The chart below provides a comparison between estimated revenues on an accrual basis for the Governor's Budget versus cash deposits into the Mental Health Services (MHS) Fund in each fiscal year.

As shown in the chart below, "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 is due to the timing of the June Cash Transfer, a portion of which isn't deposited until the end of July.

Similarly, "Interest Income" is comparable under either accounting approach. Differences are attributable to interest earned on monies in the MHS Fund in the fourth quarter of each fiscal year which are not deposited into the MHS Fund until the next fiscal year.

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 was earned.

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

	Fiscal Year		
	2006-07	2007-08	2008-09
Governor's Proposed FY 2008-09 Budget			
Cash Transfers	\$939.0	\$978.0	\$949.0
Interest Income Earned During Fiscal Year	\$58.4	\$94.6	\$94.6
Annual Adjustment Amount	\$438.4	\$505.0	\$500.0
Estimated Revenues-Governor's Revised FY 2008-09 Budget	\$1,433.4	\$1,577.6	\$1,543.6
Estimated Receipts-Cash Basis			
Cash Transfers	\$935.1	\$978.0	\$949.0
Interest Income Posted During Fiscal Year	\$49.2	\$90.3	\$94.6
Annual Adjustment Amount	\$0.0	\$423.7	\$438.4
Estimated Available Receipts	\$984.3	\$1,492.0	\$1,482.0

OVERALL REVENUES

Table 1 below displays actual and estimated MHSAs revenue receipts deposited into the MHS Fund. This revenue is shown as a total for all components as well as apportioned into 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 2006-07, while estimated receipts are shown for FY 2007-08 and projected receipts for FY 2008-09.

Table 1: Mental Health Services Act (MHSAs) Estimated Revenues
Estimated Based on Governor's 2008 May Revise Budget
(Dollars in Millions)

	Fiscal Year		
	Actual Receipts	Estimated Receipts	Projected Receipts
	2006-07	2007-08	2008-09
Community Services and Supports (Excluding Innovation)	\$514.3	\$779.5	\$1,069.9
Workforce Education & Training	\$98.4	\$149.2	\$0.0
Capital Facilities and Technological Needs	\$98.4	\$149.2	\$0.0
Prevention & Early Intervention (Excluding Innovation)	\$187.0	\$283.5	\$267.5
Innovation	\$37.0	\$56.0	\$70.5
State Administration	\$49.2	\$74.6	\$74.1
Total Estimated Revenue Receipts	\$984.3	\$1,492.0	\$1,482.0

EXPENDITURES FOR COMPONENTS OF THE THREE-YEAR PROGRAM AND EXPENDITURE PLAN

The MHSA specifies funding for five major components which form the basis of a county's Plan. Due to the complexity involved with development, 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 Plan 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 Plan, 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.

For each component, the state stakeholder process involves the development of discussion documents and a series of general stakeholder meetings and topic-specific workgroups to provide input on critical issues and to advise on implementation policies and processes. Each component addresses critical needs and priorities to improve access to effective, comprehensive, culturally and linguistically competent, expanded county mental health services and supports. Improvement in client outcomes is a fundamental expectation throughout the implementation process (see Table 2 for expenditure information for the MHSA Components).

STATE ADMINISTRATIVE EXPENDITURES

In addition to funding of the five major MHSA components, the DMH and the Mental Health Oversight and Accountability Commission (MHSAOAC), ten state departments, the Managed Risk Medical Insurance Board (MRMIB), the State Controller's Office (SCO), the Administrative Office of the Courts (AOC), the Chancellor's Office of the California Community Colleges (COCCC), the California State Library (CSL) and the Office of Statewide Health Planning & Development (OSHPD) will be allocated MHSA funding in 2008-09. The ten departments are the Department of Rehabilitation (DOR), the Department of Social Services (DSS), the Department of Education (CDE), the Department of Alcohol and Drug Programs (DADP), the Department of Aging (CDA), the Department of Health Care Services (DHCS), the Department of Consumer Affairs (DCA) Board of Behavioral Sciences, the Department of Developmental Services (DDS), the Department of Public Health (DPH) and the Department of Veterans Affairs (DVA).

DMH (FY 2006-07: \$15,900,000; FY 2007-08: \$33,007,912; FY 2008-09: \$35,472,912): to continue its statutory requirement to implement and administer the MHSA by funding the conversion of limited term positions to permanent positions, resources to absorb the increased workload, and the overall support for implementation of all MHSA components, as well as funding for the MHSOAC.

- **MHSOAC** (FY 2006-07: \$1,028,000; FY 2007-08: \$3,247,088; FY 2008-09: \$4,089,088): to support the increase in operating costs and contracts associated with statutory requirements to provide oversight of the MHSA.

CDA (FY 2006-07: \$0; FY 2007-08: \$95,000; FY 2008-09: \$95,000): funds one position to coordinate efforts to improve access to mental health services for older adults and/or adults with disabilities.

CDE (FY 2006-07: \$592,000; FY 2007-08: \$731,000; FY 2008-09: \$707,000): funds three positions and contract funds to implement a project entitled "Building Collaboration for Mental Health Services in California's Schools."

DADP (FY 2006-07: \$258,000; FY 2007-08: \$517,000; FY 2008-09: \$507,000): funds two positions, one to focus on prevention issues and the other on treatment of co-occurring substance abuse and mental health disorders.

DCA (FY 2006-07: \$0; FY 2007-08: \$107,000; FY 2008-09: \$299,000): funds one position to serve as a liaison to DMH to help 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.

DDS (FY 2006-07: \$0; FY 2007-08: \$0; FY 2008-09: \$1,118,000): 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).

DHCS (FY 2006-07: \$70,000; FY 2007-08: \$581,000; FY 2008-09: \$795,000): funds one position to address 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 (CalMEND) program.

DOR (FY 2006-07: \$76,000; FY 2007-08: \$214,000; FY 2008-09: \$209,000): 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.

DPH (FY 2006-07: \$0; FY 2007-08: \$0; FY 2008-09: \$350,000): funds two positions and provides contract funding to expand mental health related program collaboration,

data collection, epidemiology and surveillance in support of the Office of Suicide Prevention.

DSS (FY 2006-07: \$394,000; FY 2007-08: \$803,000; FY 2008-09: \$767,000): funds five positions to provide essential leadership, oversight, and expertise to social services and mental health partners.

DVA (FY 2006-07: \$0; FY 2007-08: \$0; FY 2008-09: \$496,000): funds 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.

AOC (FY 2006-07: \$0; FY 2007-08: \$0, FY 2008-09: \$431,000): supports two positions to address the increased workload related to mental health issues in the courts.

COCCC (FY 2006-07: \$0; FY 2007-08: \$0; FY 2008-09: \$175,000): funds one position to assist the Community Colleges in meeting the mental health needs of students.

CSL (FY 2006-07: \$0; FY 2007-08: \$0; FY 2008-09: \$169,000): funds 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.

MRMIB (FY 2006-07: \$89,000; FY 2007-08: \$158,000; FY 2008-09: \$179,000): supports one position to ensure effective coordination of services and collaboration between providers and administrators providing services to children who are Seriously Emotionally Disturbed (SED) in the Healthy Families Program (HFP).

OSHPD (FY 2006-07: \$0; FY 2007-08: \$0; FY 2008-09: \$419,000): funds 3 staff to support the development and implementation of the Mental Health Loan Assumption Program and to identify Mental Health Professional Shortage areas in California.

SCO (Human Resource Management System) (FY 2006-07: \$43,000; FY 2007-08: \$49,000; FY 2008-09: \$42,000): supports the new Human Resource Management System (HRMS)/Payroll system.

Table 2 summarizes MHSA component expenditures and MHSA expenditures for each State Department. It displays actual expenditures for the MHSA components for FY 2006-07, the estimated budget for FY 2007-08, and the projected budget for FY 2008-09.

**Table 2: Mental Health Services Act Expenditures
May 2008**

	Actual FY 06-07	Estimated FY 07-08	Projected FY 08-09
Local Assistance:			
Community Services & Supports (CSS)	\$352,073,000	\$884,300,000	\$653,900,000
Workforce Education & Training	-	\$15,000,000	\$97,200,000*
Capital Facilities & Technological Needs	-	\$0	\$100,000,000
Prevention and Early Intervention	-	\$25,000,000	\$115,000,000
Innovation	-	\$0	\$20,000,000
Total Local Assistance	\$352,073,000	\$924,300,000	\$986,100,000
State Administrative Costs:**			
Department of Mental Health (DMH)	\$15,900,000	\$33,007,912	\$35,472,912
Mental Health Services Oversight and Accountability Commission (MHSOAC)	\$1,028,000	\$3,247,088	\$4,089,088
Department of Aging (CDA)		\$95,000	\$95,000
Department of Education (CDE)	\$592,000	\$731,000	\$707,000
Department of Alcohol & Drug Programs (DADP)	\$258,000	\$517,000	\$507,000
Department of Consumer Affairs Regulatory Boards (DCA)		\$107,000	\$299,000
Department of Developmental Services (DDS)	-	-	\$1,118,000
Department of Health Care Services (DHCS)	\$70,000	\$581,000	\$795,000
Department of Rehabilitation (DOR)	\$76,000	\$214,000	\$209,000
Department of Public Health (DPH)			\$350,000
Department of Social Services (DSS)	\$394,000	\$803,000	\$767,000
Department of Veteran's Affairs (DVA)			\$496,000
Administrative Office of the Courts (AOC)	-	-	\$431,000
Chancellors Office of the California Community Colleges (COCCC)			\$175,000
California State Library (CSL)			\$169,000
Managed Risk Medical Insurance Board (MRMIB)	\$89,000	\$158,000	\$179,000
Office of Statewide Health Planning & Development (OSHPD)			\$419,000
State Controller's Office (SCO)	\$43,000	\$49,000	\$42,000
Total Administration	\$18,450,000	\$39,510,000	\$46,320,000
GRAND TOTAL	\$370,523,000	\$963,810,000	\$1,032,420,000

*Includes \$2.5m in payments under the Workforce Education & Training Loan Assumption program and \$500,000 for expansion of the Song Brown program both administered through the Office of Statewide Health Planning & Development.

**The MHSOAC allows 5% of the total annual revenue received for the Fund for costs incurred by DMH, the MHSOAC, and the MHPC in implementing duties pursuant to MHSOAC programs.