

# MENTAL HEALTH AND SUD FINANCING PART I

WHERE DOES THE MONEY COME FROM  
AND HOW MUCH GOES TO EACH COUNTY

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## OVERVIEW

- 1991 REALIGNMENT
- MENTAL HEALTH SERVICES ACT
- 2011 REALIGNMENT
- MENTAL HEALTH BLOCK GRANT
- PATH GRANT
- SUBSTANCE ABUSE PREVENTION & TREATMENT BLOCK GRANT

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## 1991 REALIGNMENT LOCAL REVENUE FUND

- Welfare and Institutions Code, Section 17600 Created the Local Revenue Fund and the Following Accounts
  - Sales Tax Account
  - Vehicle License Fee Account
  - Vehicle License Collection Account
  - Sales Tax Growth Account
  - Vehicle License Fee Growth Account

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## SALES TAX ACCOUNT – SUBACCOUNTS

- **Mental Health Subaccount**
- Social Services Subaccount
- Health Subaccount
- **CalWORKs Maintenance of Effort Subaccount**
- Family Support Subaccount
- Child Poverty and Family Supplemental Support Subaccount
- County Medical Services Program Subaccount

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## SALES TAX ACCOUNT

- Revenue and Taxation Code, Section 6051.2 and 6201.2 established a ½ cent sales and use tax.
- The revenue collected from this tax is deposited into the Local Revenue Fund, Sales Tax Account.
- Sales and use tax revenue is allocated among the Subaccounts in the Sales Tax Account until all subaccounts receive the amount received in the prior fiscal year.
- Sales tax revenue in excess of the amounts received in the prior fiscal year are allocated to the Sales Tax Growth Account.

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## MENTAL HEALTH SUBACCOUNT

- In FY 1991-92, 51.91 percent of the sales tax revenue in the Sales Tax Account was deposited in the Mental Health Subaccount.
- From FY 1992-93, the Mental Health Subaccount received the amount of sales tax revenue it received in the prior year from the Sales Tax Account and the Sales Tax Growth Account.
- Beginning in Fiscal Year 2012-13, all sales tax revenue in the Sales Tax Account that would otherwise be deposited into the Mental Health Subaccount is instead deposited into the CalWORKS Maintenance of Effort Subaccount, not to exceed \$1,120,551,000.
- Once the CalWORKS Maintenance of Effort Subaccount receives \$1,120,551,000, all sales tax revenue in the Sales Tax Account that would be deposited into the Mental Health Subaccount is deposited into the Mental Health Subaccount.
- The State Controller allocates this money among counties and deposits into the mental health account in each county's local health and welfare trust fund on or before the 27<sup>th</sup> of every month.

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## LOCAL REVENUE FUND 2011 TRANSFER TO THE MENTAL HEALTH SUBACCOUNT

- Beginning in FY 2012-13, the SCO transfers \$93,379,252 from the sales tax revenue deposited into the Local Revenue Fund 2011 to the Mental Health Subaccount in the Sales Tax Account of the Local Revenue Fund.
- This transfer backfills the \$1,120,551,000 that is going to the CalWORKS Maintenance of Effort Account.

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## VEHICLE LICENSE FEE ACCOUNT

- **Mental Health Subaccount**
- Social Services Subaccount
- Health Subaccount
- **CalWORKs Maintenance of Effort Subaccount**
- Family Support Subaccount
- Child Poverty and Family Supplemental Support Subaccount
- County Medical Services Program Subaccount

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## VEHICLE LICENSE FEE ACCOUNT

- Revenue and Taxation Code, Section 11001.5 requires a certain percentage of the vehicle license fee revenue collected to be deposited into the Local Revenue Fund.
- Vehicle License Fee revenue deposited into the Local Revenue Fund is allocated among the subaccounts.

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## MENTAL HEALTH SUBACCOUNT

- Vehicle License Fee (VLF) revenue that would otherwise have been deposited into the Mental Health Subaccount is deposited into the CalWORKs Maintenance of Effort Subaccount, not to exceed \$1,120,551,000.
- Once the CalWORKs Maintenance of Effort Account reached \$1,120,551,000 Vehicle License Fee revenue that would have been deposited into the Mental Health Subaccount is deposited into the Mental Health Subaccount.
- On or before the 27<sup>th</sup> day of each month, the Controller distributes funds in the Mental Health Subaccount to the mental health account of each county's Local Health and Welfare Trust Fund.

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## VEHICLE LICENSE FEE COLLECTION ACCOUNT

- Revenue and Taxation Code, Section 11001.5 requires the Controller to deposit net funds collected as a result of procedures developed for greater compliance with vehicle license fee laws into the Vehicle License Fee Collection Account in the Local Revenue Fund.
- Revenue deposited into the Vehicle License Collection Account is allocated among counties pursuant to a schedule developed by the former department of mental health in consultant with CBHDA.
- Counties receive a total of \$14 Million per year.

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## SALES TAX GROWTH ACCOUNT

- Sales tax revenue deposited into the Local Revenue Fund in excess of the amount distributed from all subaccounts and growth accounts in the prior year is deposited into the Sales Tax Growth Account and allocated to the following subaccounts.
  - Caseload Subaccount (1<sup>ST</sup> Priority)
  - County Medical Services Program Growth Subaccount (2<sup>nd</sup> Priority)
  - **General Growth Subaccount (3<sup>rd</sup> Priority)**

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## GENERAL GROWTH SUBACCOUNT

- In Fiscal Year 2016-17, the general growth subaccount funds that would have been distributed to the mental health account in each county's local health and welfare trust fund were redirected to the Social Services Subaccount to fund increases in county costs for In Home Support Services (IHSS).
- This did not affect City of Berkeley and Tri-Cities.
- In Fiscal Year 2017-18, all of the sales tax growth funding went to the caseload subaccount for social services programs.
- The Governor's May Revision proposes to end this transfer.

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## VEHICLE LICENSE FEE GROWTH ACCOUNT

- County Medi-Cal Services Program Growth Subaccount
- **General Growth Subaccount**

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## GENERAL GROWTH SUBACCOUNT

- In Fiscal Years 2016-17 through 2018-19, 100% of the VLF funds to be deposited into the General Growth Subaccount are distributed to the Social Services Account in each county's health and welfare trust fund to pay for increased costs for IHSS.
- In Fiscal Year 2019-20 and 2020-21, 50% of the VLF funds that would have been distributed to mental health and health accounts in each county's health and welfare trust fund will be distributed to the county's Social Services account to pay for increased costs for IHSS.
- This does not affect City of Berkeley and Tri-Cities.
- The Governor's May Revision proposes to end this redirection of VLF growth funds.

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## SUMMARY OF 1991 REALIGNMENT REVENUE

Account	(THOUSANDS)			
	2014-15	2015-16	2016-17	2017-18
Mental Health Account, LRF 2011	\$1,120,551	\$1,120,551	\$1,120,551	\$1,120,551
Mental Health Subaccount Growth, LRF 2011	\$13,450	\$6,696	\$9,836	\$8,683
Sales Tax Base	\$11,696	\$48,754	\$33,967	\$34,036
VLF Base	\$11,197	\$48,754	\$94,870	\$95,063
VLF Collections	\$14,000	\$14,000	\$14,000	\$14,000
Sales Tax Growth	\$22,342		\$69	
VLF Growth	\$37,584	\$46,116	\$193	\$197
<b>Total 1991 Realignment Mental Health</b>	<b>\$1,230,820</b>	<b>\$1,284,871</b>	<b>\$1,273,486</b>	<b>\$1,272,530</b>

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## MENTAL HEALTH SERVICES ACT

- Source of Revenue
- Mental Health Services Fund
- County Allocation Methodology
- Component Allocations
- No Place Like Home

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## SOURCE OF REVENUE

- Proposition 63 added Revenue and Taxation Code, Section 17043.
- Revenue and Taxation Code, Section 17043 established a 1% tax on personal income in excess of \$1 million and dedicated that revenue to fund the MHSA.

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## MENTAL HEALTH SERVICES FUND

- Revenue and Taxation Code, Section 19602.5 requires the Controller to deposit 1.76% of all income tax revenue collected every month into the Mental Health Services Fund.
- Revenue and Taxation Code, Section 19602.5 also requires the Department of Finance to calculate an annual adjustment in March of every year to reconcile the amounts deposited into the MHSF with the actual receipts from the 1% tax on personal income in excess of \$1 million.

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## ANNUAL ADJUSTMENT

- Annual adjustment is equal to the tax liability adjustment less the revenue adjustment.
- Tax liability adjustment is equal to the actual tax liability increase less the estimated tax liability increase from the 1% tax.
- Actual tax liability increase is determined from actual tax returns filed by October 15 after the close of the applicable fiscal year.
- Estimated tax liability increase is equal to \$758 M in calendar year 2008 inflated by 7% annually.
- Revenue adjustment is equal to the actual amount deposited into the Mental Health Services Fund for the applicable fiscal year less the estimated revenue from the additional tax.
- The estimated revenue from the additional tax is equal to \$733 M in calendar year 2008 inflated by 7% annually.

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## COUNTY ALLOCATIONS

- Welfare and Institutions Code, Section 5891(c) requires DHCS to provide the SCO with an allocation schedule.
- DHCS developed the allocation schedule methodology in consultation with CBHDA.
- The methodology is based upon three factors:
  - Need for mental health services
  - Cost to provide mental health services
  - Other financial resources available to provide mental health services

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## NEED FOR MENTAL HEALTH SERVICES

- Each county's percentage of the State's population multiplied by 50%.
- Each county's percentage of the State's population below the federal poverty level multiplied by 30%.
- Each county's prevalence of serious mental illness and serious emotional disturbance multiplied by 20%.
- The need for mental health services is equal to the sum of these three percentages divided by the sum of these three percentages across all counties.

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## COST OF LIVING ADJUSTMENT

- DHCS adjusts the need for mental health services using the self-sufficiency standard for each county in California.
- The National Economic Development and Law Center developed the self-sufficiency standard.
- DHCS uses the self-sufficiency standard for single childless adults weighted at 67% and single adults with two children weighted at 33%.
- DHCS adjusts 40% of the need for mental health services by the self-sufficiency standard  $((\text{Need} \times .4) \times (\text{Self Sufficiency Standard}) + (\text{Need} \times .6))$ .
- The result is called the revised need for mental health services.

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## OTHER FINANCIAL RESOURCES ADJUSTMENT

- DHCS adjusts 20% of the revised need for mental health services by the county's share of other financial resources available to provide mental health services.
  - 1991 Realignment
  - 2011 Realignment
  - Federal Grants
  - MHSA
- The adjustment depends upon the ratio of the county's revised need for mental health services and percentage share of other financial resources.

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## REVISED NEED > PERCENTAGE OF RESOURCES

- If a county's revised need is greater than its percentage of resources DHCS adjusts 20% of its revised need by the ratio of revised need to resources.
  - $(\text{Revised Need} \times .20) \times (\text{Revised Need} / \text{Percentage of Resources})$
  - Since Revised Need is greater than percentage of resources, this will increase 20% of the county's revised need.

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## REVISED NEED < PERCENTAGE OF RESOURCES > 2x REVISED NEED

- If a county's percentage of resources is between one hundred and two hundred percent of its revised need, DHCS adjusts 20% of its revised need by the ratio of revised need to resources.
  - $(\text{Revised Need} \times .20) \times (\text{Revised Need} / \text{Percentage of Resources})$
  - Since Revised Need is less than percentage of resources, this will decrease 20% of the county's revised need.
  - Since the percentage of resources does not exceed revised need by two hundred percent or more, the reduction will be less than 20%.

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## PERCENTAGE OF RESOURCES > 2x REVISED NEED

- If a county's percentage of resources is greater than 2x its revised need, DHCS reduces the county's revised need by 20%.
  - Revised Need - (Revised Need\*.20)
  - This caps the amount by which a county's revised need will be reduced at 20%.

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## SUMMARY OF MHSA REVENUE

Fund	(THOUSANDS)			
	2014-15	2015-16	2016-17	2017-18
Mental Health Services Fund	\$1,729,798	\$1,418,778	\$1,827,038	\$2,009,301

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## 2011 REALIGNMENT LOCAL REVENUE FUND 2011

- Sources of Revenue
- Account Structure
- Account Allocations
- County Allocations

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## SOURCES OF REVENUE

- Sales and Use Tax
  - 1.0625%
  - Revenue and Tax Code, Sections 6051.15 and 6201.15
- Vehicles License Fee
  - Revenue and Tax Code, Sections 11001.5 and 11005
  - VLF revenue does not go to behavioral health.

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## 2011 REALIGNMENT LOCAL REVENUE FUND 2011

- Government Code, Section 30025 created the Local Revenue Fund 2011 with the following accounts
  - **Mental Health Account**
  - **Support Services Account**
  - Local Law Enforcement Services Account
  - **Sales and Use Tax Growth Account**

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## MENTAL HEALTH ACCOUNT

- The Controller first allocates to the Mental Health Account \$93,379,252 from sales and use tax revenue deposited into the Local Revenue Fund (Government Code, Section 30027.8).
- The Controller transfers sales and use tax revenue from the Mental Health Account to the Mental Health Subaccount in the Sales Tax Account in the Local Revenue Fund (Government Code, Section 30029.05(a)).
- Counties are guaranteed \$1,120,551,000 annually to fund mental health services.

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## SUPPORT SERVICES ACCOUNT

- Protective Services Subaccount
- **Behavioral Health Services Subaccount**
  - Residential perinatal drug services and treatment
  - Drug court operation and services
  - Non Drug Medi-Cal substance use disorder treatment programs
  - Drug Medi-Cal
  - Medi-Cal specialty mental health services
- **County Intervention Support Services Subaccount**

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## PROTECTIVE SERVICES SUBACCOUNT

- The Controller allocates to the Protective Services Subaccount each fiscal year an amount equal to the amount allocated to the Protective Services Subaccount and the Protective Services Growth Special Account in the prior fiscal year (Government Code, Section 30027.8(f)).

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## BEHAVIORAL HEALTH SUBACCOUNT

- The Controller allocates to the Behavioral Health Subaccount each fiscal year an amount equal to the amount allocated to the Behavioral Health Subaccount and the Behavioral Health Services Growth Special Account in the prior fiscal year (Government Code, Section 30027.8(f)).
- If there isn't enough money to meet the funding level for the Protective Services and Behavioral Health Services Subaccount, the Controller allocates the available funding in proportion to the amount in each subaccount in the prior fiscal year (Government Code, Section 30027.8(f)).

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## COUNTY INTERVENTION SUPPORT SERVICES SUBACCOUNT

- If DHCS determines that a county is failing or at risk of failing to perform functions of, or provide services for, a realigned program, DHCS may instruct the Controller to divert funds from the Behavioral Health Subaccount and/or the Behavioral Health Services Growth Special Account into the County Intervention Support Services Subaccount.
- DHCS may use funds in the County Intervention Support Services Subaccount to provide the realigned services.

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## SALES AND USE TAX GROWTH ACCOUNT

- The Controller deposits into the Sales and Use Tax Growth Account Sales and Use Tax revenue in excess of the amount deposited into the Local Revenue Fund 2011 in the prior Fiscal Year.
- The first priority for growth funds is to restore base funding for the Local Law Enforcement Services Account and the Support Services Account.
- After restoring base funding, growth funds are allocated to the Law Enforcement Services Growth Subaccount (35%) and the **Support Services Growth Subaccount (65%)** (Government Code, 30027.9).

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## SUPPORT SERVICES GROWTH SUBACCOUNT

- Mental Health Subaccount, Sales Tax Account, Local Revenue Fund
  - Controller first transfers 5% of the revenue deposited into this Subaccount to the Mental Health Subaccount, Sales Tax Account, Local Revenue Fund.
- Protective Services Growth Special Account
  - Controller allocates 45% of the revenue in this subaccount to the protective services growth special account.
- Behavioral Health Services Growth Special Account
  - Controller allocates 50% of the revenue deposited into this subaccount to the behavioral health services growth special account

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## BEHAVIORAL HEALTH SUBACCOUNT COUNTY ALLOCATIONS

- County distribution from the Behavioral Health Subaccount in the prior fiscal year **PLUS**
- County distribution from the Behavioral Health Services Growth Subaccount in the prior fiscal year.
- One month adjustment in October because growth is not known until end of December.

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## BEHAVIORAL HEALTH SERVICES GROWTH SPECIAL ACCOUNT – COUNTY ALLOCATIONS

- Fifty percent of growth funding is allocated based upon each county's share of the non-federal share of specialty mental health services and Drug Medi-Cal service claims for dates of service within the prior fiscal year that are submitted through July 31<sup>st</sup>
- Fifty percent of growth funding is allocated based upon each counties share of Medi-Cal member months in Foster Care aid codes, Disabled aid codes, and all other aid codes.
- Member months are weighted by the ratio of total cost per member per month to treat beneficiaries in each aid code group to the total cost per member per month to treat beneficiaries in the all other aid code group.

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## SUMMARY OF 2011 REALIGNMENT REVENUE

Account	(THOUSANDS)			
	2014-15	2015-16	2016-17	2017-18
Behavioral Health Subaccount	\$1,046,271	\$1,163,291	\$1,230,255	\$1,328,618
Behavioral Health Growth Special Account	\$117,020	\$66,964	\$98,364	\$86,828
<b>Total</b>	<b>\$1,163,291</b>	<b>\$1,230,255</b>	<b>\$1,328,619</b>	<b>\$1,415,446</b>

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## MENTAL HEALTH BLOCK GRANT

- Sources of Revenue
- Program Allocations
- County Allocations

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## SOURCE OF REVENUE

- Substance Abuse and Mental Health Services Administration (SAMHSA)

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## PROGRAM ALLOCATIONS

- State Administration
- Children's System of Care Set Aside
- Integrated Services Agency Set Aside
- Dual Diagnosis Set Aside
- First Episode Psychosis Set Aside
- Base Allocation

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## STATE ADMINISTRATION

- DHCS retains 5% of the total award to fund state operations.

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## CHILDREN'S SYSTEM OF CARE SET ASIDE

- United States Code, Section 300x-2 requires states to spend at least the amount it spent in 1994 on systems of integrated services for children.
- DHCS sets aside \$3.9 million annually to fund children's system of care programs in seven counties.
  - Humboldt, Los Angeles, Merced, Monterey, Placer, San Luis Obispo, and Stanislaus

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## INTEGRATED SERVICES AGENCY SET SIDE

- DHCS sets aside \$2 million annually to fund an integrated services agency.
- These funds are split equally between Los Angeles and Stanislaus County.
- The Integrated Services Agency implements the Adult and Older Adult System of Care act.

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## DUAL DIAGNOSIS SET ASIDE

- DHCS allocates roughly \$8 annually to fund programs that service individuals who have a mental health and substance use disorder.
- All but three counties receive this funding.

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## FIRST EPISODE PSYCHOSIS SET ASIDE

- SAMHSA increased each State's award in 2014 by 10% and dedicated the additional funding to first episode psychosis programs.
- DHCS allocated the increased funding among counties based upon population size.
  - Counties with population less than 100,000 receive an allocation of 1%
  - Counties with a population between 100,000 and 300,000 receive an allocation of 1.9%.
  - Counties with a population between 300,000 and 1,000,000 receive an allocation of 2.9%
  - Counties with a population in excess of 1,000,000 receive an allocation of 3.9%.
- Alpine, Modoc and Mono counties chose not to implement an FEP program.

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## BASE FUNDING

- DHCS distributes the remaining funding among counties to provide mental health services to adults and older adults with SMI and children and adolescents with SED.
- These funds are allocated among counties using the Cigarette and Tobacco tax allocation schedule.

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## PATH GRANT

- DHCS receives an annual award from SAMHSA for the Projects for Assistance in Transitioning from Homelessness (PATH) program.
- DHCS allocates the funding among forty counties participating in the PATH program using the cigarette and tobacco tax allocation schedule.

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## SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

- DHCS receives an annual award from SAMHSA for the Substance Abuse Prevention and Treatment Block Grant.
- DHCS allocates these funds among counties based on the prior year allocation. Fiscal Year 2019-20 will be based upon Fiscal Year 2018-19.

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