Mental Health Financial Issues

California Institute for Behavioral Health Solutions (CIBHS)
Small County Fiscal Technical Assistance

April 3, 2017
Mental Health Financial Issues

- Revenue Update
- MHSA Reversion
- Other Fiscal Issues
FY17/18 Estimated Community Mental Health Funding
(Dollars in Millions)

- 1991 MH Realignment $1,319.1
- 2011 MH Realignment $1,137.9
- FFP $2,708.1
- MHSA $1,810.2
- Other $270.0
1991 Realignment Revenue Update

• Three revenue sources fund 1991 Realignment
  • ½ Cent of State Sales Tax
  • State Vehicle License Fees
  • State Vehicle License Fee Collections
• County’s must provide a Maintenance of Effort (MOE)
• Swap of CalWORKs Maintenance of Effort (MOE) with Mental Health Realignment began in FY11/12
  • Mental Health services funded with 2011 Realignment sales tax revenue
    • Guaranteed minimum amount beginning in FY12/13 ($1,120.5M)
  • Mental Health receives growth in 1991 Realignment funds once funding for CalWORKs MOE is equal to the guaranteed minimum amount of Mental Health funding
  • Mental Health also receives 5% of the annual growth in the 2011 Realignment Support Services Account
1991 Realignment Revenue Update

- Realignment revenues are distributed to counties on a monthly basis as funds are collected until each county receives funds equal to previous year’s total
  - Separate distributions for:
    - Mental Health (fixed, guaranteed amount)
    - Mental Health Sales Tax Base
    - Mental Health VLF Base
    - Mental Health VLF Collections
- Revenues above that amount are placed into growth accounts
  - Sales Tax
  - VLF
1991 Realignment Revenue Update

• Most likely will meet FY16/17 base
  • Year to date sales tax revenues approximately 4% higher than last year
  • Year to date VLF revenues approximately 8% higher than last year
• Increases in social services caseload costs is first priority for Sales Tax growth
  • Discontinuance of the Coordinated Care Initiative (CCI) due to it not being cost effective will impact the County MOE for In-Home Supportive Services (IHSS)
    • County IHSS costs will increase by an estimated $625 million in FY17/18
    • Total Sales Tax growth is estimated to be $144.3 million in FY17/18 which would not be sufficient to fund the increase in IHSS caseload costs
  • It is highly unlikely mental health will see any sales tax growth in the foreseeable future
  • Mental Health Sales Tax Base should not be impacted
• Growth in VLF goes to mental health, social services and public health
### 1991 Mental Health Realignment Estimated Revenues
(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th>14/15</th>
<th>15/16</th>
<th>16/17</th>
<th>17/18</th>
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</thead>
<tbody>
<tr>
<td><strong>Base Amount</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mental Health (CalWORKS MOE Swap)</td>
<td>$1,120.6</td>
<td>$1,120.6</td>
<td>$1,120.6</td>
<td>$1,120.6</td>
</tr>
<tr>
<td>Mental Health Sales Tax Base</td>
<td>$11.6</td>
<td>$33.9</td>
<td>$33.9</td>
<td>$38.4</td>
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<tr>
<td>Mental Health Vehicle License Fee Base</td>
<td>$11.2</td>
<td>$48.8</td>
<td>$94.9</td>
<td>$119.2</td>
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<tr>
<td>Mental Health Vehicle License Fee Collections</td>
<td>$14.0</td>
<td>$14.0</td>
<td>$14.0</td>
<td>$14.0</td>
</tr>
<tr>
<td><strong>Total Base</strong></td>
<td>$1,157.4</td>
<td>$1,217.3</td>
<td>$1,263.4</td>
<td>$1,292.2</td>
</tr>
<tr>
<td><strong>Growth in Base</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$22.3</td>
<td>$0.0</td>
<td>$4.5</td>
<td>$0.0</td>
</tr>
<tr>
<td>Vehicle License Fees</td>
<td>$37.6</td>
<td>$46.1</td>
<td>$24.3</td>
<td>$17.6</td>
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<tr>
<td><strong>One-Time Growth</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5% of Support Services Account Growth</td>
<td>$13.4</td>
<td>$6.7</td>
<td>$7.3</td>
<td>$9.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,230.7</td>
<td>$1,270.1</td>
<td>$1,299.5</td>
<td>$1,319.1</td>
</tr>
</tbody>
</table>
1991 Realignment Transfers

• Welfare and Institutions Code Section 17600.20 allows for the reallocation of funds among accounts in the local health and welfare trust fund
  • Limited to no more than 10% of the amount deposited in the account from which the funds are reallocated for that fiscal year
  • Can also reallocate an additional 10% from the health account to social services account for caseload cost increases
  • Can also reallocate an additional 10% from the social services account to the mental health account or health account when social services has funding in excess of mandated caseload costs
• Requires public hearing
  • Must demonstrate reallocation was based on the most cost-effective use of available resources to maximize client outcomes
2011 Realignment Revenue Update

• Additional realignment occurred as part of FY11/12 State Budget
• Dedicated a specific revenue to fund realigned services
  • 1.0625% of Sales Tax
  • Motor Vehicle License Fee Transfer to fund law enforcement program
  • Realigned services previously funded with State General Fund monies
  • MHSA funds were used to fund realigned mental health services in FY11/12
2011 Realignment Revenue Update

• Most likely will meet FY16/17 base
  • Year to date sales tax revenues approximately 4% higher than last year
  • Behavioral Health Subaccount receives higher percentage of revenues than last year based on FY15/16 growth allocations
• FY16/17 individual county base allocations based on Information Notice 16-052
  • FY13/14 EPSDT approved claims by county of service
  • FY13/14 D/MC approved claims based on county of responsibility adjusted to include $100,000 minimum D/MC allocation
  • Historical amounts for Managed Care allocations, Non-Drug/Medi-Cal allocations and Drug Court allocations
  • Amount distributed based on Medi-Cal enrollment in each county
  • Hold Harmless adjustment so no county is reduced by more than 15%
2011 Realignment Revenue Update

• The FY16/17 base amount used in the calculation was a projection from the May Budget Revision that overstates the actual FY16/17 base amount
  • $1,268,600,000 was projected in May
  • $1,230,300,000 is based on actual revenues received and reflects the actual FY16/17 base
  • Use percentages from the Information Notice applied against actual base rather than the dollar amounts
• FY15/16 growth ($67.0 million) yet to be allocated
2011 Realignment Revenue Update

- Funds in the Behavioral Health Subaccount must be used to fund:
  - Residential perinatal drug services and treatment
  - Drug court operations and services
  - Nondrug Medi-Cal substance abuse treatment programs
  - Drug/Medi-Cal program
  - Medi-Cal specialty mental health services, including Early and Periodic Screening, Diagnosis and Treatment program and mental health managed care

- The 2011 Realignment statute does not specify how much needs to be spent on each program
  - County discretion
# 2011 Realignment

## 2011 Realignment Behavioral Health Subaccount Estimated Revenues
*(Dollars in Millions)*

<table>
<thead>
<tr>
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<th>16/17</th>
<th>17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base Amount</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Base</td>
<td>$1,046.3</td>
<td>$1,163.3</td>
<td>$1,230.3</td>
<td>$1,303.4</td>
</tr>
<tr>
<td><strong>Growth in Base</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Growth</td>
<td>$117.0</td>
<td>$67.0</td>
<td>$73.1</td>
<td>$93.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,163.3</td>
<td>$1,230.3</td>
<td>$1,303.4</td>
<td>$1,396.7</td>
</tr>
<tr>
<td><strong>Percent Change</strong></td>
<td>11.2%</td>
<td>5.8%</td>
<td>5.9%</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

Excluding SUD Residential Treatment which is a fixed amount per statute.
2011 Realignment Transfers

• Government Code Section 30025 allows for the reallocation of funds among subaccounts in the Support Services Account
  • Limited to no more than 10% of the amount deposited in the immediately preceding year in the subaccount with the lowest balance
• Requires public hearing
  • Must demonstrate reallocation was based on the most cost-effective use of available resources to maximize client outcomes
• Government Code Section 30025 allows the county to create a Support Services Reserve Subaccount
  • Can allocate up to 5% from either Protective Services Subaccount or Behavioral Health Subaccount to Support Services Reserve Subaccount
Mental Health Services Act
Revenue Update

• The MHSA created a 1% tax on income in excess of $1 million to expand mental health services
• Approximately 1/10 of one percent of tax payers are impacted by tax
• Two primary sources of deposits into State MHS Fund
  • 1.76% of all monthly personal income tax (PIT) payments (Cash Transfers)
  • Annual Adjustment based on actual tax returns
    • Settlement between monthly PIT payments and actual tax returns
Mental Health Services Act
Revenue Update

• Funds distributed to counties monthly based on unspent and unreserved monies in State MHS Fund at end of prior month
• Cash Transfers are largest in months with quarterly tax payments and year end tax payments
  • January, April, June and September
• Annual Adjustments are incredibly volatile
  • Two year lag
  • Known by March 15th
  • Deposited on July 1st
Mental Health Services Act
Revenue Update

• Anticipate significant increase in distributions compared to last fiscal year
  • Year to date personal income tax revenues are approximately 4% higher than last year
  • Annual Adjustment posted last July was significantly higher than prior year
## MHSA Estimated Revenues

(Cash Basis-Millions of Dollars)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Actual 13/14</th>
<th>Estimated 14/15</th>
<th>15/16</th>
<th>16/17</th>
<th>17/18</th>
<th>18/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Transfers</td>
<td>$1,189.0</td>
<td>$1,355.0</td>
<td>$1,422.3</td>
<td>$1,480.0</td>
<td>$1,538.0</td>
<td>$1,592.0</td>
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<tr>
<td>Annual Adjustment</td>
<td>$153.5</td>
<td>$479.8</td>
<td>$94.3</td>
<td>$464.1</td>
<td>$383.7</td>
<td>$383.0</td>
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<tr>
<td>Interest</td>
<td>$1.2</td>
<td>$0.6</td>
<td>$0.6</td>
<td>$0.6</td>
<td>$0.6</td>
<td>$0.6</td>
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<tr>
<td>Total</td>
<td>$1,343.7</td>
<td>$1,835.4</td>
<td>$1,517.2</td>
<td>$1,944.7</td>
<td>$1,922.3</td>
<td>$1,975.6</td>
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</table>
### MHSA Estimated Component Funding

(Millions of Dollars)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Actual</th>
<th>Estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13/14</td>
<td>14/15</td>
</tr>
<tr>
<td>CSS</td>
<td>$939.2</td>
<td>$1,314.6</td>
</tr>
<tr>
<td>PEI</td>
<td>$234.8</td>
<td>$328.7</td>
</tr>
<tr>
<td>Innovationa/</td>
<td>$61.8</td>
<td>$86.5</td>
</tr>
<tr>
<td>Total</td>
<td>$1,235.8</td>
<td>$1,729.8</td>
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</tbody>
</table>

*a/ 5% of the total funding must be utilized for innovative programs (W&I Code Section 5892(a)(6)).
State General Funds

• Budget includes State General Fund monies
  • Continuum of Care Reform
    • FY16/17 - $4.7 million
    • FY17/18 - $13.0 million
  • EPSDT Performance Outcome System
    • FY16/17 - $5.1 million
    • FY17/18 - $6.8 million
  • Managed Care Regulations Implementation
    • FY16/17 - $0.0
    • FY17/18 - $9.3 million
  • MHP Special Terms & Conditions
    • FY16/17 - $0.0
    • FY17/18 - $415,000
  • Increased State Share for ACA Medi-Cal Clients
    • FY16/17 - $17.0 million
    • FY17/18 - $43.7 million
# Community Mental Health Services Funding

## Mental Health Estimated Funding

(Dollars in Millions)

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<td>$1,319.1</td>
</tr>
<tr>
<td>2011 MH Realignment&lt;sup&gt;a/&lt;/sup&gt;</td>
<td>$947.6</td>
<td>$1,002.4</td>
<td>$1,061.9</td>
<td>$1,137.9</td>
</tr>
<tr>
<td>MHSA</td>
<td>$1,729.8</td>
<td>$1,418.8</td>
<td>$1,847.5</td>
<td>$1,810.2</td>
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<tr>
<td>FFP</td>
<td>$2,153.4</td>
<td>$2,403.7</td>
<td>$2,521.0</td>
<td>$2,708.1</td>
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<tr>
<td>Other</td>
<td>$200.0</td>
<td>$200.0</td>
<td>$225.0</td>
<td>$270.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$6,261.5</td>
<td>$6,295.0</td>
<td>$6,954.9</td>
<td>$7,245.4</td>
</tr>
</tbody>
</table>

<sup>a/</sup> Assuming proportionate growth by program.
Mental Health Services Act Reversion

- Welfare and Institutions Code specifies that funds must be spent within a certain time period or returned to the state
  - CSS, PEI and Innovation must be spent within three years
  - WET and CFTN must be spent within 10 years
  - Funds dedicated to Prudent Reserve are exempt from reversion

- Mental Health Oversight and Accountability Commission issued *Mental Health Services Act Fiscal Reversion Policy Reconsidered: Challenges and Opportunities*
  - [http://www.mhsoac.ca.gov/sites/default/files/documents/2017-03/FRP_Mental_Health_Services_Act_Fiscal_Reversion_Policy_Reconsidered_Discussion%20Draft_03202017.pdf](http://www.mhsoac.ca.gov/sites/default/files/documents/2017-03/FRP_Mental_Health_Services_Act_Fiscal_Reversion_Policy_Reconsidered_Discussion%20Draft_03202017.pdf)

- Capital Facilities/Information Technology funds revert on June 30, 2018

- Workforce, Education and Training funds revert on June 30, 2017 and June 30, 2018
Other Fiscal Issues

• FY10/11 EPSDT State General Fund calculation errors
• Medi-Cal payment tracking
• AB1299 compensation for county of residence
• D/MC responsibility of county of residence