

Mental Health Services Act Expenditure Report
Fiscal Year 2008-2009

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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Fiscal Year 2008-2009

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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 \$4.1 billion in additional revenues for mental health services through the end of Fiscal Year (FY) 2007-08 and is anticipated to generate an additional \$1 billion in FY 2008-09 and \$914 million in FY 2009-10 based on estimates included in the Governor's Proposed FY 2009-10 Budget. This equates to \$1.3 billion in FY 2008-09 and \$1.4 billion in FY 2009-10 on a cash basis.

Just under \$2 billion has been distributed through the end of FY 2007-08. Additionally, \$1.5 billion is anticipated to be distributed in FY 2008-09 and \$1.7 billion is anticipated for FY 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 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 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 (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 (MHSOAC), and the California Mental Health Planning Council (CMHPC) (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 1 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 \$4.1 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. The chart below 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 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 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 FY 2008-09 and FY 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 FY 2008-09 and FY 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.

**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 Proposed FY 2009-10 Budget*			
Cash Transfers	\$983.0	\$831.0	\$837.0
Interest Income Earned During Fiscal Year	\$96.4	\$60.8	\$27.4
Annual Adjustment Amount	\$529.0	\$150.0	\$50.0
Estimated Revenues-Governor's Proposed FY 2009-10 Budget	\$1,608.4	\$1,041.8	\$914.4
Estimated Receipts-Cash Basis			
Cash Transfers	\$983.9	\$831.0	\$837.0
Interest Income Earned During Fiscal Year	\$94.4	\$60.8	\$27.4
Annual Adjustment Amount	\$423.7	\$438.4	\$529.0
Estimated Available Receipts	\$1,502.0	\$1,330.2	\$1,393.4

*Source: Governor's Proposed FY 2009-10 Budget

OVERALL REVENUES

Table 1 below displays actual and estimated MHSa 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 2007-08, while estimated receipts are shown for FY 2008-09 and projected receipts for FY 2009-10.

Note: *The FY 2009-10 Governor' Budget proposes to achieve \$226.7 million in General Fund savings in FY 2009-10 based on amending the non-supplantation requirement of the MHSa to allow the use of MHSa funds for Mental Health Managed Care. This proposal will require voter approval. If adopted, the revenue distribution for the components may change.*

Table 1: 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	\$960.3	\$1,006.0
Workforce Education & Training	\$150.2	\$0.0	\$0.0
Capital Facilities and Technological Needs	\$150.2	\$0.0	\$0.0
Prevention & Early Intervention (Excluding Innovation)	\$285.4	\$240.1	\$251.4
Innovation	\$56.3	\$63.3	\$66.2
State Administration	\$75.1	\$66.5	\$69.8
Total Estimated Revenue Receipts	\$1,502.0	\$1,330.2	\$1,393.4

EXPENDITURES FOR MHSA COMPONENTS

The MHSA specifies funding for five major components which form the basis of a county's MHSA program. 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

In addition to funding the five major MHSA components, the DMH, MHSOAC, and the CMHPC, several other state entities will be allocated MHSA funding in FY 2009-10. These include the Department of Aging, the Department of Education, the Department of Alcohol and Drug Programs, the Department of Consumer Affairs Regulatory Boards, the Department of Developmental Services, the Department of Health Care Services, the Department of Rehabilitation, the Department of Social Services, the Department of Veterans Affairs, the Administrative Office of the Courts (Judicial Branch), the Board of Governors of the California Community Colleges, the California State Library, the Managed Risk Medical Insurance Board, and the Office of Statewide Health Planning and Development.

Department of Mental Health (FY 2007-08: \$20,165,815; FY 2008-09: \$35,577,000; FY 2009-10: \$34,121,000): to continue its statutory requirement to implement and administer the MHSA and to provide overall support for implementation of all MHSA components.

Mental Health Services Oversight and Accountability Commission (FY 2007-08: \$2,024,185; 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: \$707,000; FY 2009-10: \$709,000): 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): funds 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 (CalMEND) program.

Department of Rehabilitation (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): funds five positions to provide essential leadership, oversight, and expertise to social services and mental health partners.

Department of Veterans Affairs (FY 2007-08: \$0; FY 2008-09 \$496,000; FY 2009-10: \$484,000): 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.

Administrative Office of the Courts (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): funds 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): 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.

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 (SED) in the Healthy Families Program (HFP).

Office of Statewide Health Planning and Development (FY 2007-08: \$0; FY 2008-09: \$419,000; FY 2009-10: \$586,000): 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.

State Controllers Office (Human Resource Management System)

Table 2, State Administrative Costs, displays the State Controllers Office because it received funding in FY 2007-08: \$49,000 and FY 2008-09: \$42,000. The funding was made available to support the new Human Resource Management System (HRMS)/Payroll system.

For more detailed information, please visit the Web site at:
http://www.dmh.ca.gov/Prop_63/MHSA/StateInteragencyPartners.asp

Table 2 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 2008-09.

Table 2, Local Assistance, also displays the Governor's proposal to achieve \$226.7 million in General Fund savings for FY 2009-10 based on amending the non-supplantation requirement of the MHSA to allow the use of MHSA funds for Mental Health Managed Care. Also, DMH will work with the counties and other stakeholders on changes necessary to provide greater local flexibility regarding the maintenance of effort and non-supplantation requirements of the Act. The implementation of this proposal will require passage of a voter initiative.

Table 2: Mental Health Services Act Expenditures
January 2009

	Actual FY 07-08	Estimated FY 08-09	Projected FY 09-10
Local Assistance:			
Community Services & Supports	\$1,481,598,300	\$720,000,000	\$900,000,000
Workforce Education & Training	\$11,801,700	\$36,068,654	\$27,617,924
Workforce Education and Training State Level Projects*	0	\$3,000,000	\$3,000,000
Capital Facilities & Technological Needs	0	\$334,337,371	\$119,062,629
Prevention and Early Intervention	0	\$344,143,975	\$387,523,447
Innovation	0	\$71,000,000	\$71,000,000
Managed Care	0	\$0	\$227,000,000
Total Local Assistance	\$1,493,400,000	\$1,508,550,000	\$1,735,204,000
State Administrative Costs:**			
Department of Mental Health	\$20,165,815	\$35,577,000	\$34,121,000
Mental Health Services Oversight and Accountability Commission	\$2,024,185	\$4,089,000	\$4,739,000
Department of Aging	\$44,000	\$95,000	\$246,000
Department of Education	\$682,000	\$707,000	\$709,000
Department of Alcohol & Drug Programs	\$482,000	\$507,000	\$288,000
Department of Consumer Affairs Regulatory Boards	\$58,000	\$299,000	\$306,000
Department of Developmental Services		\$1,119,000	\$1,121,000
Department of Health Care Services	\$578,000	\$795,000	\$992,000
Department of Rehabilitation	\$77,000	\$209,000	\$220,000
Department of Social Services	\$460,000	\$768,000	\$796,000
Department of Veterans Affairs	0	\$496,000	\$484,000
Administrative Office of the Courts (Judicial Branch)		\$432,000	\$998,000
Board of Governors of the California Community Colleges		\$175,000	\$175,000
California State Library		\$169,000	\$171,000
Managed Risk Medical Insurance Board	\$156,000	\$179,000	\$181,000
Office of Statewide Health Planning & Development		\$419,000	\$586,000
State Controllers Office	\$49,000	\$42,000	0
Total Administration	\$24,776,000	\$46,077,000	\$46,133,000
GRAND TOTAL	1,518,176,000	\$1,554,627,000	\$1,781,337,000

*Includes \$2.5 M in payments under the Workforce Education & Training Loan Assumption program and \$500,000 for expansion of the Song Brown program in both SFY 08/09 and 09/10. Both programs are administered through the Office of Statewide Health Planning and Development (OSHDP). \$2.5 M is shown in the State Operations portion of the Governor's Budget consistent with existing OSHDP program budgets.

**State entities listed in Table 2 receive funding for "State Administrative Costs" in accordance with the 5% allowed in Welfare and Institutions Code 5892(d).