

Orange County MHSA Steering Committee

MHSA Fiscal Update

October 21, 2019

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MHSA Fiscal Update

- MHSA Revenue Update
- MHSA Reversion
- Prudent Reserve
- MHSA Fiscal Planning
- Other Community Mental Health Funding

Mental Health Services Act

- 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

[2]

Mental Health Services Act

- 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
- Funds distributed to counties monthly based on unspent and unreserved monies in State MHS Fund at end of prior month
 - Orange County receives approximately 8.1% of statewide MHSA distributions

[3]

MHSA Estimated Revenues

- Sources for projections:
 - FY19/20 May Budget Revision to the Governor's Budget
 - Department of Health Care Services Mental Health Services Act Expenditure Report (Governor's May Revise, May 2019)
 - Legislative Analyst Office estimate of personal income tax revenues
 - MHSUDS Information Notice 19-043

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MHSA Estimated Statewide Revenues

MHSA Estimated Revenues
(Cash Basis-Millions of Dollars)

	Fiscal Year				
	Actual	Estimated			
	17/18	18/19	19/20	20/21	21/22
Cash Transfers	\$1,660.8	\$1,824.0	\$1,834.1	\$1,883.6	\$1,934.5
Annual Adjustment	\$446.0	\$272.5	\$443.6	\$644.8	\$640.7
Interest	\$5.3	\$8.8	\$8.8	\$8.8	\$8.8
Total	\$2,112.1	\$2,105.3	\$2,286.5	\$2,537.2	\$2,584.0

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Orange County Estimated MHPA Funding

Orange County MHPA Estimated Component Funding
(Millions of Dollars)

	Fiscal Year				
	Actual		Estimated		
	17/18	18/19	19/20	20/21	21/22
CSS	\$124.9	\$121.8	\$131.2	\$138.0	\$139.2
PEI	\$31.2	\$30.5	\$32.8	\$34.5	\$34.8
Innovation	\$8.2	\$8.0	\$8.6	\$9.1	\$9.2
Total	\$164.3	\$160.3	\$172.6	\$181.6	\$183.2

[6]

MHPA Component Funding

- Funding for No Place Like Home debt service is excluded from component funding
 - \$500 million in bonds to be sold on November 19, 2019
 - Debt service of \$62 million in FY19/20 to \$140 million when fully implemented in FY22/23
- Anticipate continued growth in funding through FY20/21
 - Decrease in FY18/19 was due to lower annual adjustment
 - Expect large annual adjustments in FY20/21 and FY21/22 due to capital gains spike in 2018 and 2019
- Estimated component funding does not include reverted funds

[7]

MHSA 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
- Under AB 114, unspent funds subject to reversion as of July 1, 2017 are “reverted” and reallocated to the county of origin
 - Effect is no funds are subject to reversion prior to July 1, 2017
 - County was required to provide a plan for how reallocated funds will be spent
 - Reallocated funds must be spent by July 1, 2020

[8]

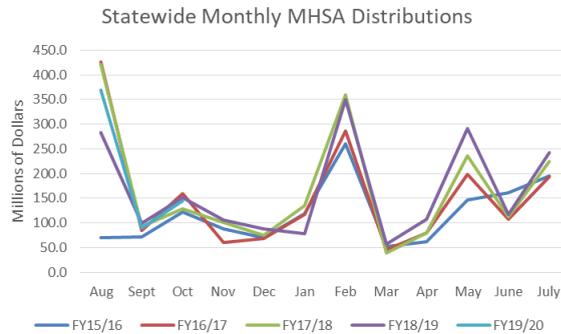
Prudent Reserve

- Welfare and Institutions Code Section 5892(b)(2) requires counties to maintain a prudent reserve that does not exceed 33 percent of the average CSS revenue received in the prior five years
 - DHCS Information Notice 19-037 specified the limit for each county
 - Orange County transferred \$26.3 million of excess prudent reserve as part of FY19/20 MHSA Plan Update
 - Funds must be spent within three years (i.e., by June 30, 2022)
- DHCS developed proposed MHSA regulations that would require a minimum prudent reserve of 23 percent

[9]

MHSA Fiscal Planning

- Amount of funding is not guaranteed
- Cash flow will vary during the fiscal year



(10)

MHSA Fiscal Planning

- Use tools provided in MHSA to manage funding
 - Local prudent reserve
 - Three year reversion period for unspent CSS, PEI and Innovation funds
- Two year lag of Annual Adjustment helps balance any sudden downturn in Personal Income Tax revenue
- Maximum prudent reserve is most likely not sufficient to sustain all programs during an economic downturn

(11)

Other Community Mental Health Funding

- 1991 Realignment
 - Orange County has a minimum base of approximately \$75 million in FY18/19
 - Includes VLF Collection
 - Have not received any growth for the last three fiscal years due to Discontinuance of the Coordinated Care Initiative (CCI)
 - No growth in mental health for FY16/17 through FY18/19
 - Should see growth in FY19/20
 - Orange County growth anticipated to be \$4 million to \$5 million
 - Won't receive FY19/20 growth until FY20/21

(12)

Other Community Mental Health Funding

- 2011 Realignment Behavioral Health Subaccount
 - 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
 - Orange County received approximately \$52.9 million in FY18/19 base funding and anticipate \$2 million to \$3 million in FY18/19 growth
 - Anticipate revenues to continue to increase based on growth in State sales tax

(13)

Other Community Mental Health Funding

- Budget includes State General Fund monies
 - Continuum of Care Reform
 - FY19/20 - \$11.7 million
 - EPSDT Performance Outcome System
 - FY19/20 - \$6.8 million
 - Managed Care Regulations Implementation
 - FY19/20 - \$7.7 million
 - Managed Care Regulations Mental Health Parity
 - FY19/20 - \$2.8 million

[14]

Other Community Mental Health Funding

- Budget includes State General Fund monies
 - Increased State Share for ACA Medi-Cal Clients
 - FY19/20 - \$73.9 million
 - State Reimbursement for SB75 Children
 - FY19/20 - \$46.9 million
 - Additional Utilization Review Costs
 - FY19/20 - \$1.0 million

[15]