

Orange County MHSA Steering Committee

MHSA Fiscal Update

August 7, 2017

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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

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
 - Counties receive one amount not identified by component
 - Orange County receives approximately 8.1% of statewide MHSA distributions

[2]

MHSA Estimated Revenues

- Sources for projections:
 - FY17/18 May Budget Revision
 - Mental Health Services Oversight and Accountability Commission Revised Financial Report (May 25, 2017)
 - Department of Health Care Services Mental Health Services Act Expenditure Report (Governor's May Revise, May 2017)
 - Legislative Analyst Office estimate of personal income tax revenues
 - Assumes continued economic growth through 2020

[3]

MHSA Estimated Statewide Revenues

MHSA Estimated Revenues
(Cash Basis-Millions of Dollars)

	Fiscal Year					
	Actual		Estimated			
	14/15	15/16	16/17	17/18	18/19	19/20
Cash Transfers	\$1,355.0	\$1,422.3	\$1,457.2	\$1,571.5	\$1,611.0	\$1,651.0
Annual Adjustment	\$479.8	\$94.3	\$464.1	\$446.0	\$357.5	\$463.4
Interest	\$0.6	\$1.2	\$1.9	\$1.9	\$1.9	\$1.9
Total	\$1,835.4	\$1,517.8	\$1,923.2	\$2,019.4	\$1,970.4	\$2,116.3

(4)

Orange County Estimated MHSA Funding

Orange County MHSA Estimated Component Funding
(Millions of Dollars)

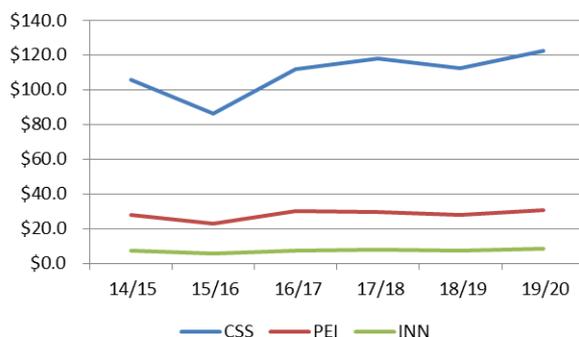
	Fiscal Year					
	Actual			Estimated		
	14/15	15/16	16/17	17/18	18/19	19/20
CSS	\$105.5	\$86.3	\$111.8	\$118.0	\$112.5	\$122.5
PEI	\$28.1	\$23.0	\$29.8	\$29.5	\$28.1	\$30.6
Innovation ^{a/}	\$7.0	\$5.8	\$7.5	\$7.8	\$7.4	\$8.1
Total	\$140.6	\$115.1	\$149.1	\$155.3	\$148.0	\$161.2

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

(5)

Orange County Estimated MHPA Funding

**Orange County Estimated
MHPA Component Funding**
(Dollars in Millions)



[6]

MHPA Component Funding

- Funding for No Place Like Home debt service is excluded from component funding
 - \$60 million in FY19/20 to \$130 million when fully implemented in FY22/23
- High income earners may be deferring income in anticipation of a federal tax cut in 2018
- FY16/17 through FY19/20 anticipated to be highest funding to date
 - Decrease in FY17/18 due to lower annual adjustment which may be understated

[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
- AB 114 modified the MHSA Reversion statute
 - Counties with a population of less than 200,000 have five years to expend funds
 - The expenditure period for Innovation Funds does not begin until the MHS Oversight and Accountability Commission approves an Innovation program

[8]

MHSA Reversion

- 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 must provide a plan for how reallocated funds will be spent
 - Reallocated funds must be spent by July 1, 2020
- State is to prepare report by July 1, 2018 identifying funds subject to reversion as of July 1, 2017
 - Counties have ability to appeal

[9]

Fiscal Transparency Tool

- MHS Oversight and Accountability Commission has been developing a Fiscal Transparency Tool to display county specific MHSA fiscal information
 - Based on MHSA Revenue and Expenditure (RER) data submitted by counties
- RER data represents fiscal position at point in time and may change based on other revenue sources
- Difficult to determine reverted funds without clear fiscal policies defining reversion

[10]

Other Community Mental Health Funding

- 1991 Realignment
 - Orange County has a minimum base of approximately \$75 million in FY17/18
 - Includes VLF Collection
 - Discontinuance of the Coordinated Care Initiative (CCI) due to it not being cost effective impacts the County MOE for In-Home Supportive Services (IHSS)
 - Fund the shortfall with a combination of State General Fund monies and a redirection of 1991 Realignment vehicle license fee growth
 - All 1991 VLF growth redirected for three years (FY16/17-FY18/19)
 - 50 percent of VFL growth redirected for two years (FY19/20 and FY20/21)
 - Anticipate Social Services caseload cost growth to utilize all of sales tax growth into the foreseeable future

[11]

Other Community Mental Health Funding

- 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
 - Requires public hearing
 - Must demonstrate reallocation was based on the most cost-effective use of available resources to maximize client outcomes

(12)

Other Community Mental Health Funding

- 2011 Realignment
 - Revenues continue to grow
- Budget includes State General Fund monies
 - Continuum of Care Reform
 - FY17/18 - \$12.4 million
 - EPSDT Performance Outcome System
 - FY17/18 - \$6.2 million
 - Managed Care Regulations Implementation
 - FY17/18 - \$9.3 million
 - MHP Special Terms & Conditions
 - FY17/18 - \$415,000
 - Increased State Share for ACA Medi-Cal Clients
 - FY17/18 - \$43.4 million

(13)

Key Points

- Majority of funding driven by on economic conditions and is not based on need for services
 - Need for services is often countercyclical to health of the economy
- There is a desire to integrate mental health and substance abuse services but funding remains independent
- Individual county allocations often determined through political process making it difficult for counties to budget
- Much of funding is categorical
- County MHPs under increasing fiscal pressure for various state initiatives and performance outcomes
- 1991 Realignment is the most flexible funding, followed by 2011 Behavioral Health Subaccount and MHSA
 - Each funding source is used for somewhat unique services and population groups
 - The funding sources increase at different rates which results in disparities among services and population groups