

# Orange County MHSA Steering Committee

MHSA Fiscal Update

September 17, 2018

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## MHSA Fiscal Update

- MHSA Revenue Update
- MHSA Reversion
- Recent MHSA Fiscal Changes
- 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

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## 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

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## MHSA Estimated Revenues

- Sources for projections:
  - FY18/19 May Budget Revision to the Governor's Budget
  - Department of Health Care Services Information Notice 18-038
  - Department of Health Care Services Mental Health Services Act Expenditure Report (Governor's May Revise, May 2018)
  - Legislative Analyst Office estimate of personal income tax revenues

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## MHSA Estimated Statewide Revenues

**MHSA Estimated Revenues**  
(Cash Basis-Millions of Dollars)

	Fiscal Year				
	Actual	Estimated			
	16/17	17/18	18/19	19/20	20/21
Cash Transfers	\$1,484.1	\$1,661.0	\$1,717.5	\$1,775.9	\$1,836.3
Annual Adjustment	\$464.1	\$446.0	\$272.5	\$398.0	\$521.1
Interest	\$2.6	\$5.1	\$5.1	\$5.1	\$5.1
<b>Total</b>	<b>\$1,950.8</b>	<b>\$2,112.1</b>	<b>\$1,995.1</b>	<b>\$2,179.0</b>	<b>\$2,362.5</b>

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# Orange County Estimated MHPA Funding

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

	Fiscal Year				
	Actual		Estimated		
	16/17	17/18	18/19	19/20	20/21
CSS	\$113.3	\$124.9	\$115.4	\$124.0	\$133.1
PEI	\$28.3	\$31.2	\$28.9	\$31.0	\$33.3
Innovation <sup>a/</sup>	\$7.5	\$8.2	\$7.6	\$8.2	\$8.8
<b>Total</b>	<b>\$149.1</b>	<b>\$164.3</b>	<b>\$151.9</b>	<b>\$163.2</b>	<b>\$175.2</b>

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

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## MHPA Component Funding

- Funding for No Place Like Home debt service is excluded from component funding
  - \$62 million in FY19/20 to \$130 million when fully implemented in FY22/23
- Anticipate continued growth in funding through FY20/21
  - Decrease in FY18/19 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

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## 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

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## 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

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## MHSA Reversion

- DHCS prepared a report identifying funds subject to reversion as of July 1, 2017
  - Pre-AB100 is through FY11/12
  - Post-AB100 begins in FY12/13

MHSA Funds Subject to Reversion as of July 1, 2017  
(Dollars in Millions)

	CSS	PEI	INN	WET	CFTN	Total
<b>Statewide</b>						
Pre-AB100	2.9	70.7	123.8	9.3	25.7	232.4
Post-AB100	2.1	5.5	38.9	0.0	0.0	46.5
Total	5.0	76.2	162.7	9.3	25.7	278.9
<b>Orange County</b>						
Pre-AB100	0.0	12.3	10.1	0.0	3.2	25.6
Post-AB100	0.0	0.0	3.3	0.0	0.0	3.3
Total	0.0	12.3	13.4	0.0	3.2	28.9

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## Recent MHSA Fiscal Changes

- SB192 recently signed by the Governor
  - Limits local MHS Fund prudent reserve to not more than 33 percent of the average CSS revenue received in the prior five years
  - Creates Reversion Account within the State MHS Fund
- Orange County's prudent reserve is approximately twice the amount specified in SB192
  - SB192 does not specify consequences of exceeding 33 percent

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## Other Community Mental Health Funding

- 1991 Realignment
  - Orange County has a minimum base of approximately \$75 million in FY178/19
    - 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

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## 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 \$49.5 million in FY17/18 base funding and \$3.8 million in FY16/17 growth
  - Anticipate revenues to continue to increase based on growth in State sales tax

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## Other Community Mental Health Funding

- Budget includes State General Fund monies
  - Continuum of Care Reform
    - FY17/18 - \$4.0 million
    - FY18/19 - \$10.7 million
  - EPSDT Performance Outcome System
    - FY17/18 - \$0.0 million
    - FY18/19 - \$6.4 million
  - Managed Care Regulations Implementation
    - FY17/18 - \$1.9 million
    - FY18/19 - \$7.5 million

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## Other Community Mental Health Funding

- Budget includes State General Fund monies
  - Managed Care Regulations Mental Health Parity
    - FY17/18 - \$0.0 million
    - FY18/19 - \$2.9 million
  - Increased State Share for ACA Medi-Cal Clients
    - FY17/18 - \$29.5 million
    - FY18/19 - \$52.5 million
  - Homeless and Mental Illness Program
    - FY18/19 - \$50 million
  - Repayment of AB3632 Mandate
    - FY18/19 - \$254 million (plus interest)

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## Key Points

- Significant State pressure on counties to spend MHPSA funds
  - Counties trying to balance the needs of the community with the ability to sustain effective programs
- MHPSA funding is becoming more categorical
  - Most reverted funds are for Innovative projects
- County MHPs under increasing fiscal pressure for various state initiatives and performance outcomes