

# Behavioral Health Services Act Fiscal Overview

Orange County  
Behavioral Health Advisory Board

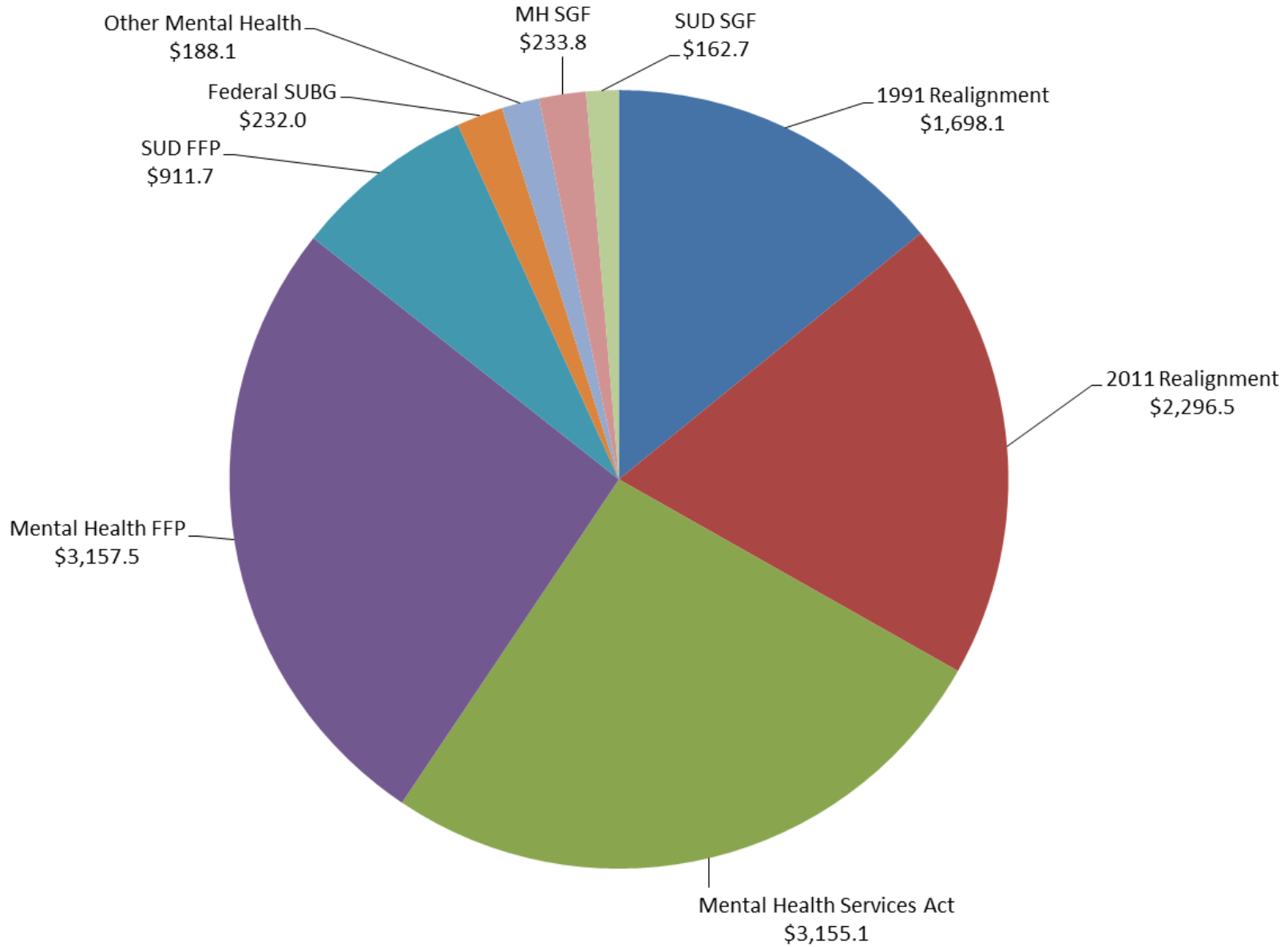
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# FY24/25 Estimated Statewide Behavioral Health Funding

**\$11.6 Billion**  
**(Cash Basis-Dollars in Millions)**



# Mental Health Services Act Revenues

The MHSA created a 1% tax on income in excess of \$1 million to expand mental health services

Approximately 76,000 tax returns reflected taxable income in excess of \$1 million in calendar year 2017

# Deposits into State MHS Fund



- 1.76% of all monthly personal income tax (PIT) payments (Cash Transfers)
- Annual Adjustment based on actual tax returns
  - Incredibly volatile
- Settlement between monthly PIT payments and actual tax returns

# Mental Health Services Act Revenues

Annual Adjustments reflect the difference between the amount earned as determined through actual tax returns and the monthly cash transfers

Recent tax returns indicate approximately 33% of taxable income is from wages and salaries, 33% from capital gains, 20% from partnerships and S-corporations, and balance from dividends, interest, misc. other income

Annual Adjustments are calculated based on calendar year tax returns adjusted to reflect fiscal year

## Fiscal Year 24/25 Annual Adjustment

- Based on Fiscal Year 22/23
- Calculated from calendar year 2022 tax returns
  - Calendar year 2022 tax returns filed by November 16, 2023
- FTB calculates amount earned by MHSa tax by beginning of March 2024
- Deposited July 1, 2024



## MHSA Statewide Estimated Revenues (Cash Basis-Millions of Dollars)

	Fiscal Year			
	Estimated			
	23/24	24/25	25/26	26/27
Cash Transfers	\$2,172.8	\$2,082.4	\$2,186.5	\$2,274.0
Annual Adjustment	\$2,366.9	\$1,344.6	\$464.0	\$840.1
Interest	\$34.2	\$34.2	\$10.0	\$10.0
<b>Total</b>	<b>\$4,573.9</b>	<b>\$3,461.2</b>	<b>\$2,660.5</b>	<b>\$3,124.1</b>

# MHSA County Funding

In accordance with Welfare & Institutions Code Section 5892, Mental Health Services Fund revenues are dedicated to specific components

- Workforce, Education and Training (WET)
- Capital Facilities/Technological Needs (CFTN)
- Prevention and Early Intervention (PEI)
- Community Services and Supports (CSS)
- Innovation (INN)

Prior to making the distribution to counties, up to 5% is made available for State Administration

Balance of funds (95%) distributed based on the fiscal year in which the deposits are posted to the State MHS Fund on a cash basis



# MHSA County Funding

Funds distributed on a monthly basis (W&I Code Section 5892(j)(5))

- Unexpended and unreserved funds on deposit in the State MHS Fund at the end of the month are distributed by the 15th of the next month
- State reserves entire administrative appropriation at the beginning of the fiscal year

Individual county allocation percentages are based on:

- Estimated need for services
- Self-sufficiency and resources
- Small county minimum allocations
- Information Notice 23-061 describes methodology

Counties receive one warrant (check) from the state

- County responsible for ensuring compliance with C.C.R. Title 9, Section 3420(b)
  - 5% of total funding shall be utilized for Innovative programs
  - 19% for Prevention and Early Intervention programs
  - 76% for Community Services and Supports (System of Care)

Each county required to have a local Mental Health Services Fund

- Interest earned remains in the fund to be used for MHSA expenditures

# MHSA Component Funding

Funds distributed to counties are considered component funding

- Excludes funds expended and reserved

Funding for No Place Like Home debt service is excluded from component funding

- \$140.0 million per year

Anticipate large fluctuations in funding

- Large annual adjustment in FY23-24 due to capital gains spike in 2021 followed by lower annual adjustments due to decline in economy

Estimated component funding does not include redistributed funds based on reversion

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

	Fiscal Year		
	Actual	Estimated	
	23/24	24/25	25/26
CSS	\$234.15	\$196.09	\$146.57
PEI	\$58.54	\$49.02	\$36.64
Innovation	\$15.40	\$12.90	\$9.64
<b>Total</b>	<b>\$308.09</b>	<b>\$258.01</b>	<b>\$192.85</b>

# MHSA County Expenditures

Counties are required to prepare a Three Year Program and Expenditure Plan

Gain approval of Plan through annual stakeholder process

All MHSA expenditures are required to be in accordance with an approved Plan

MHSA funds cannot be used to supplant existing resources

Counties required to prepare and submit MHSA Annual Revenue and Expenditure Reports

# MHSA County Expenditures

MHSA funds can only be used to pay for services and programs for which there is no other source of funding

Majority of CSS funds must be directed to Full Service Partnerships (FSPs)

51% of PEI funds must be used to serve individuals who are 25 years old or younger

# Modernization of the MHSA (Proposition 1)

Incorporate Substance Use Disorder services

BHSA County Funding Allocations-90% of Total Funds

- 30% for Housing Interventions
- 35% for FSPs
- 30% for Behavioral Health Services and Supports (BHSS)
  - Majority of BHSS funds must be spent on Early Intervention
    - Majority of Early Intervention must be used for people 25 years and younger

BHSA State Funding Allocations-10% of Total Funds

- 3% for State Administration
- 4% for Statewide Population-Based Prevention
  - Majority must serve people 25 years and younger
- 3% for Statewide workforce
- \$20 million annually for the BHSA Innovation Partnership Fund

Creates Integrated Plan for Behavioral Health Services and Outcomes

# Behavioral Health Services Act

## Revenue Stability Workgroup

- WIC 5892.3 establishes the BHSA Revenue Stability Workgroup
- Assess year-over-year fluctuations in tax revenues generated by the BHSA
- Recommend solutions to reduce BHSA revenue volatility to the legislature and governor
- Propose appropriate prudent reserve levels
- Meeting materials are posted at:  
<https://www.dhcs.ca.gov/BHT/Pages/Stakeholder-Engagement.aspx>

# Revenue Stability Workgroup Proposals

## Proposal 1: Fixed Allocation (3-year weighted average) with a State-Level Reserve

- Establish a fixed BHSA allocation amount based on weighted average
  - Allocation is fixed for three years
- Establish a state-level reserve used to stabilize local revenue in down years (capped at \$2 billion)
- Reserve funded with BHSF revenue in excess of the fixed allocation amount

## Proposal 2: Fixed Allocation (5-year average) with a State-Level Reserve

- Establish a fixed BHSA allocation amount based on five-year trailing average every year
- Create a Stabilization Account to stabilize revenues in down years
  - Deposits based on revenues in excess of 10% than the trailing five-year average
  - Withdrawals when revenues are less than 95% of trailing five-year average
- Reserve funded with BHSF revenue in excess of the fixed allocation amount

## Proposal 3: Fixed Spending Level with Local Prudent Reserve

- Establish a base BHSA Funding level based on the five-year trailing average every year
- Counties develop BHSA plans according to a base funding level for ongoing programs
- If actual revenue varies by more than 10% than the base funding level, counties would be able to utilize additional funds towards programs and services
- Counties utilize discretionary reserves they've created in down years