



Legislation Details (With Board Report)

File #: PAR 22-015 **Name:** MHSA Reserve Funds Expenditure Plan and Oversight

Type: Preliminary Analysis Report **Status:** Agenda Ready

File created: 3/14/2022 **In control:** Board of Supervisors

On agenda: 3/22/2022 **Final action:**

Title: Receive a preliminary analysis report in response to Board Referral No. 2022.11 seeking the Monterey County Health Department’s Behavioral Health Bureau to provide a comprehensive presentation on how the Mental Health Services Act funding is being used in Monterey County and what other potential eligible services could be provided under the act and to devise an updated expenditure plan to utilize the reserve funds of \$55,380,337 towards providing critical needed services to eligible residents. The referral also request that the Board of Supervisors receive an annual report on the expenditures and effectiveness of all its programs.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Board Report, 2. Attach A. Board Referral No. 2022.11, 3. Attach B. Monterey County Reversion Notice from DHCS, 4. PowerPoint Item No.pdf, 5. Completed Board Order Item No. 18

Date	Ver.	Action By	Action	Result
3/22/2022	1	Board of Supervisors	received	Pass

Receive a preliminary analysis report in response to **Board Referral No. 2022.11** seeking the Monterey County Health Department’s Behavioral Health Bureau to provide a comprehensive presentation on how the Mental Health Services Act funding is being used in Monterey County and what other potential eligible services could be provided under the act and to devise an updated expenditure plan to utilize the reserve funds of \$55,380,337 towards providing critical needed services to eligible residents. The referral also request that the Board of Supervisors receive an annual report on the expenditures and effectiveness of all its programs.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive a preliminary analysis report in response to **Board Referral No. 2022.11** and:
 - 1) Direct that staff proceed with completion of referral based on description in this report; or,
 - 2) Direct that staff:
 - i. Proceed with completion of referral based on modifications by the Board; or,
 - ii. Return to Board with a more comprehensive analysis of referral and anticipated effort for completion; or,
 - iii. Rescind referral.
- b. Provide further direction, as appropriate.

PRELIMINARY ANALYSIS:

Referral Summary & Background:

Board Referral 2022.11 assigned on March 1, 2022, submitted by Supervisor Luis Alejo, directs the Monterey County Health Department’s Behavioral Health Bureau (BHB) to provide a comprehensive report and presentation of how the Mental Health Services Act (MHSA) funds are currently being utilized to provide services to residents of Monterey County as well as identify possible uses of the current reserve amount of over \$55 million (Attachment A). The referral also requests that the BHB explores possible uses of the reserve in

order to avoid reversal of these funds to the State given that BHB has previously reverted MHSA funds. Lastly, the referral requests that the BHB provide an annual report to the Monterey County Board of Supervisors (BOS) on the expenditures and effectiveness of the programs funded by MHSA funds.

As noted in *Board Referral 2022.11*, the BHB provided a report and presentation to the Monterey County Board of Supervisors Budget Committee (BC) at its October 24, 2019, meeting. The report provided an overview of the MHSA. The report detailed the requirements that counties must follow, and approvals required before funds can be spent as well as reporting requirements of the MHSA. Additionally, the report noted a reserve of \$36.09 million as of the end of FY 2017-18. During this meeting, a request was made that BHB provide a quarterly report on the MHSA balance and updates on reversion risks. Accordingly, the BHB provided an update at the BC's January 29, 2020, meeting in which the BHB reported that \$834,837.63 in FY 2015-16 Innovation funds were being reverted to the State. The BHB also identified some of the challenges faced with MHSA Innovations funds which contributed to the reversion, and the process that BHB must go through before Innovation funds may be appropriately spent in accordance with MHSA regulations. At the BC's May 28, 2020, meeting, the BHB provided another report of the MHSA balance, which was reported at \$23 million as of April 2020. At ensuing meetings, the MHSA balance was reported as follows:

- July 29, 2020, the MHSA balance reported was \$29 million.
- November 19, 2020, the MHSA balance reported was \$47.4 million.
- February 24, 2021, the MHSA balance reported was \$55.6 million.
- June 30, 2021, the MHSA balance reported was \$64.9 million.
- January 26, 2022, the MHSA balance reported was \$55.4 million.

It was at the January 26, 2022, meeting that the BC requested a full presentation at a later date so that the BHB could provide a comprehensive presentation on how MHSA funds are currently being used, what is pledged in future years and how the BHB is planning to utilize balance of MHSA funds. The current plan is to bring a full report to the April 2022 BC meeting and to the full Board of Supervisors immediately after in May 2022.

For context, the MHSA was passed by California voters in 2004 and is funded by a 1% tax on personal income in excess of \$1 million per year. Funds are allocated on a monthly basis to counties based on a formula that accounts for population and other factors. Based on the formula, Monterey County's current share is approximately 1.16% of all MHSA collections. Over the past few years, California's economy has experienced unprecedented growth, and the positive tax revenues have resulted in higher than anticipated MHSA revenues to counties. This was clearly the case in the BHB's FY 2020-21 total allocation, which was a record high \$33.5 million, and based on receipts to-date, BHB is on pace to exceed that amount for the current FY 2021-22. The unexpected and significant increase in revenues presented a challenge to the BHB given that at the onset of the COVID-19 pandemic there was uncertainty in the global economy and how that would trickle down to MHSA revenues. In accordance with the uncertain financial outlook, the BHB employed a conservative approach in its projections for FY 2020-21. Conservative projections and actual unprecedented growth in receipts were the primary factors for the increase to the MHSA reserve between 2020 and 2022.

To address the increasing MHSA reserve, the BHB undertook an evaluation of programs and service levels and identified areas that could be appropriately bolstered with some additional funding. As a result, the BHB began implementing changes as part of its FY 2021-22 Annual Update in which Community Service and Support (CSS) funds were leveraged to fund approximately \$13.6 million in staff and provider costs in order to maximize MHSA spending and minimize exposure to reversion of funds. As of the end of January 2022, preliminary figures reflect this change and MHSA expenditures are up from prior years, matching MHSA revenues and reducing the risk of reversion for CSS and Prevention and Early Intervention (PEI) funds, with Innovation funds continuing to be a challenge. It is worthy to note that the FY 2020-21 Annual Revenue and

Expenditure Report (ARER) was submitted to the State on January 31, 2022, and the BHB has received a letter stating no funds are at risk of reversion for July 2021, letter included as Attachment B.

Proposed Project Description:

The BHB will prepare a Board Report and presentation identifying the history of MHSA, its regulations, and the current programs being funded with MHSA funds for current and future fiscal years. The report will also include a breakdown of current reserve amounts to include amounts that have been set-aside for specific programs and purposes and how these amounts meet Generally Accepted Accounting Principles (GAAP) standards. Additionally, of crucial importance to this process, will be to inform the BC and BOS of risk of reversions, which as noted earlier there is none as of July 2021 and although some CSS funds have been identified as possible reversion risk if not spent by July 2022, the BHB has taken the necessary measures to ensure those funds are fully expended by the end of the FY.

Estimated Project Cost:

The report and presentation will require staff time which depend on the level of detail provided and depending on direction received by BC and BOS, it may result in other costs.

Staffing Level Estimate:

At this time, it is anticipated that an Accountant III, Finance Manager II, Management Analyst II, Assistant Bureau Chief and Bureau Chief will collaborate to prepare report and presentation.

Departmental Challenges:

BHB fiscal and programs staff have been diligently working on preparation of its FY 2022-23 budget and were not able to provide a sooner response to the BC's request for a comprehensive report and presentation but with budget submittal behind, BHB should be able to provide that report and presentation at the April 2022 BC meeting.

Proposed Response Date:

BHB plans to respond to this referral with a presentation to the BC in April 2022 and then to the BOS in May, or as soon as the BOS calendar allows.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This recommendation advances the Board of Supervisors Administration and Health and Human Services Strategic Initiatives to promote an organization that practices efficient and effective resource management and is recognized for responsiveness, strong customer orientation, accountability and transparency and by improving the health and quality of life through County supported policies, programs and services.

Mark a check to the related Board of Supervisors Strategic Initiatives

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

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Approved by:

Date: _____
Elsa Mendoza Jimenez, Director of Health, 755-4526

Attachments:

Preliminary Analysis Report

Attachment A. Board Referral No 2022.11

Attachment B. Monterey County Reversion Notice from Department of Health Care Services