



# County of Monterey

Item No.

## Board Report

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

Legistar File Number: BC 25-005

January 29, 2025

**Introduced:** 1/15/2025

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** Budget Committee

Receive a report on the Mental Health Services Act (MHSA) fund balance.

### RECOMMENDATION:

It is recommended that the Budget Committee of the Board of Supervisors:  
Receive a report on the Mental Health Services Act (MHSA) fund balance.

### SUMMARY/DISCUSSION:

At the October 2019 Budget Committee (BC) meeting, the County of Monterey Health Department's Behavioral Health Bureau (Bureau) presented an overview of Proposition 63, the Mental Health Services Act (MHSA), and the status of MHSA reserves. During the presentation, staff indicated that new developments affecting the MHSA fund balance would be presented to the Budget Committee, which occurred during the January 2020 meeting. At this meeting, the Budget Committee requested quarterly reports on the MHSA fund balance. At the June 30, 2021, meeting, the Committee moved to a semiannual report. This report serves as the most recent update on the fund balance, additional information regarding the MHSA, and potential impacts on the fund balance.

In addition to the quarterly/semi-annual reports to BC, on March 1, 2022, the Board of Supervisors (BOS) submitted Referral No. 2022.11 requesting a comprehensive presentation from the Bureau on the current uses of MHSA funds, an expenditure plan to utilize reserve funds and annual updates to the BOS on expenditures and effectiveness of MHSA funded services and strategies. The comprehensive presentation was first brought to the BC at its April 25, 2022, meeting and subsequently to the BOS at its June 21, 2022, meeting with annual updates to be presented in the future, as requested by the BOS. While Referral No. 2022.11 has been closed, the Bureau continued to provide updates to the BOS on MHSA and Proposition 1 with the most recent update provided at the November 12, 2024, meeting.

### **FY 2023-24 In Review**

The FY 2023-24 beginning MHSA fund balance was \$19,251,809, with budgeted revenues of \$39,894,716 and matching expenditures of \$39,894,716. By the end of FY 2023-24, actual revenues totaled \$42,693,901, exceeding the initial projection by \$2,799,184. Pending the Annual Revenue and Expenditure Report (ARER) submission to the Department of Health Care Services, the preliminary expenditures for the year totaled \$43,195,989, reflecting a continued increase in service demand across all components from the previous fiscal year. This activity resulted in an ending fund balance of \$18,749,720, a decrease of \$502,088 from the beginning balance. Please reference Attachment A, Table 1, and Graph 1.

**FY 2023-24 Reversion Risk**

For FY 2023-24, the Bureau identified \$1,178,652 in Prevention and Early Intervention (PEI) funds at risk of reversion if not spent by June 30, 2024. As previously reported, these funds have been spent and will not be reverted.

**FY 2024-25 Budget and Forecast**

For FY 2024-25, the Bureau remains committed to maximizing services using MHSA funds. The preliminary beginning fund balance is \$18,749,720. Revenues, at the time of budget submission, were anticipated at \$29,279,500 and expenditures at \$32,774,197 for a projected ending fund balance of \$15,255,023. Midway through FY 2024-25, revenue projections have been revised to \$42,205,145 primarily due to a strong two-year true-up from FY 2022-23. Expenditures have also been revised to \$40,274,677 for a projected ending fund balance of \$20,680,188. An increase of approximately \$5,425,165 from our previous budgeted amount. Please reference Attachment A, Table 2, and Graph 2.

**Proposition 1**

On March 19, 2023, Governor Newsom announced a strategy to reform the State’s Behavioral Health System. The strategy is a combination of Senate Bill 326 (SB326) and Assembly Bill 531 (AB531) which was placed on the March 2024 ballot as Proposition 1. The Bureau has made three presentations to the BOS in May 2023, August 2023, and February 2024 to provide an overview of the impacts on MHSA as a result of Proposition 1.

Voters narrowly passed Proposition 1 with a 50.2% to 49.8% margin, and it took over two weeks of vote counting for officials to make an announcement. Proposition 1 approves the issuance of \$6.4 billion in general election bonds to construct new clinic beds, build permanent, supported housing for individuals experiencing or at risk of homelessness who have behavioral health conditions, and build unlocked community behavioral health treatment and residential settings. Proposition 1 also restructures MHSA and renames it as the Behavioral Health Services Act (BHSA), adds coverage for Substance Use Disorder, changes funding withheld by the State from 5% to 10%, and redirects funding received by the county from previous components. Proposition 1 does not immediately affect Fiscal Years 2024-25 and 2025-26 budgets. While the transitional period began in January 2025, the Bureau is still reviewing information released by the State and will begin planning for BHSA this spring.

The Bureau will continue to analyze the impacts of Proposition 1 as well as monitor all funding streams closely and will adjust where necessary as soon as the need is identified. The Bureau will apprise the Budget Office of these developments and will seek its collaboration on any required actions.

OTHER AGENCY INVOLVEMENT:

No other departments were involved.

FINANCING:

There will be no impact on the General Fund in receiving this report.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Check the related Board of Supervisors Strategic Initiatives:

? Economic Development:

- Through collaboration, strengthen economic development to ensure a diversified and healthy economy.

? Administration:

- Promote an organization that practices efficient and effective resource management and is recognized for responsiveness, strong customer orientation, accountability and transparency.

? Health & Human Services:

- Improve health and quality of life through County supported policies, programs, and services, promoting access to equitable opportunities for healthy choices and healthy environments in collaboration with communities.

? Infrastructure:

- Plan and develop a sustainable, physical infrastructure that improves the quality of life for County residents and supports economic development results.

? Public Safety:

- Create a safe environment for people to achieve their potential, leading businesses and communities to thrive and grow by reducing violent crimes as well as crimes in general.

Prepared by: Fabricio Chombo, Assistant Bureau Chief (WOC), 755-4578

Approved by: Elsa Mendoza Jimenez, Director of Health Services, 755-4526

Attachment(s):

Staff Report

Attachment A - Tables 1 - 2 and Graphs 1 - 2