

Mental Health Services Act Expenditure Report – Governor’s Budget

Fiscal Year 2021-22



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February 2021

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FUNDING OVERVIEW

The Mental Health Services Act (MHSA) passed as Proposition 63 in 2004, became effective January 1, 2005, and established the Mental Health Services Fund (MHSF). Revenue generated from a one percent tax on personal income in excess of \$1 million is deposited into the MHSF. Pursuant to Welfare and Institutions Code (W&I) Section 5813.6, the Department of Health Care Services (DHCS) shall submit to the Legislature information regarding the projected expenditure of Proposition 63 funding for each state department, and for each major program category specified in the measure for local assistance. This report shall include actual past-year expenditures, estimated current-year expenditures, and projected budget-year expenditures of local assistance funding. In addition, this report shall include a complete listing of state support expenditures for the current year and for the budget year for DHCS. This includes the number of state positions and any contract funds.

The 2021-22 Governor’s Budget indicates approximately \$2.4 billion was deposited into the MHSF in Fiscal Year (FY) 2019-20. The Governor’s Budget also estimates that \$2.5 billion will be deposited into the MHSF in FY 2020-21 and \$2.6 billion will be deposited in FY 2021-22. The Governor’s Budget also estimates an annual transfer to the Supportive Housing Program Subaccount, Mental Health Services Fund (3357) per W&I Section 5890(f) of \$53.7 million in FY 2019-20 and \$140 million in FY 2020-21 and FY 2021-22.

The 2021-22 Governor’s budget indicates approximately \$2.3 billion was expended from the MHSF in FY 2019-20. However, FY 2019-20 actual expenditures have not been reconciled at this time. Additional review and reconciliation of 2019-20 expenditures will occur in the spring to evaluate if a budget adjustment is required. Additionally, \$2.3 billion is estimated to be expended in FY 2020-21 and \$2.4 billion is projected to be expended in FY 2021-22.

The MHSA addresses a broad continuum of prevention, early intervention, and service needs as well as providing funding for infrastructure, technology, and training for the community mental health system. The MHSA specifies five required components:

- 1) Community Services and Supports (CSS)
- 2) Capital Facilities and Technological Needs (CF/TN)
- 3) Workforce Education and Training (WET)
- 4) Prevention and Early Intervention (PEI)
- 5) Innovation (INN)

On a monthly basis, the State Controller’s Office (SCO) distributes funds deposited into the MHSF to counties. Counties expend the funds for the required components consistent with a local plan, which is subject to a community planning process that includes stakeholders and is subject to County of Board of Supervisors approval. Per W&I Section 5892(h), counties with a population at or above 200,000 have three years to expend funds distributed for CSS, PEI, and INN components. Counties with a

population less than 200,000 have five years to expend funds distributed for CSS, PEI, and INN components. All counties have ten years to expend funds distributed for CF/TN and WET components.

In addition to local programs, MHSA authorizes up to five percent of revenues for state administration. These include administrative functions performed by a variety of state entities.

In 2018, the California State Auditor determined there was insufficient action taken by the state to ensure that unspent MHSA funds were being recovered and reallocated under the statutory time frames. With the passage of Chapter 38, Statutes of 2017 (AB 114), DHCS reverted and reallocated approximately \$411.1 million to counties. In 2018, Chapter 328, Statutes of 2018 (SB 193) established a methodology for determining county prudent reserves of MHSA funds and set the maximum prudent reserve level to 33 percent. Counties had over \$500 million in local reserves, of which \$161 million was required to be moved to their CSS or PEI components by June 30, 2020. In 2020, Chapter 13, Statutes of 2020 (AB 81) provided counties with flexibilities in the use of their MHSA funds to address the Coronavirus disease 2019 Public Health Emergency.

Appendix 1 contains details about county prudent reserves and the funding that was required to be moved to CSS or PEI by June 2020, totaling \$161 million. Appendix 2 contains year-by-year details on total MHSA allocations, when those allocations were spent, and how much funding was reverted. About 80 percent of MHSA funds are spent within two years of the allocation.

ESTIMATED REVENUES & TRANSFERS

Table 1 displays estimated revenues from MHSa’s one percent tax on personal income in excess of \$1 million. Personal income tax represents the net personal income tax receipts transferred into the MHSF in accordance with Revenue and Taxation Code Section 19602.5(b). The “interest income” is the interest earned on the cash not immediately used and calculated quarterly in accordance with Government Code Section 16475. The “Anticipated Accrual Amount” represents an accrual amount to be received. Due to the amount of time necessary to allow for the reconciliation of final tax receipts owed to or from the MHSF and the previous cash transfers, the FY 2019-20 anticipated accrual amount shown in the Governor’s Budget will not actually be deposited into MHSF until two fiscal years after the revenue is earned which is FY 2021-22.

The total revenue amount for each fiscal year includes income tax payments, interest income, and the anticipated accrual. The actual amounts collected differ slightly from the estimated revenues because the annual Governor’s Budget reflects revenue earned, and therefore includes accruals for revenue not yet received by the close of the fiscal year.

**Table 1: MHSa Estimated Total Revenue & Transfers
2021-22 Governor’s Budget¹**

(Dollars in Millions)

Revenue or Transfer	FY 2019-20	FY 2020-21	FY 2021-22
Personal Income Tax	\$2,369.7	\$2,540.4	\$2,635.7
Interest Income Earned During Fiscal Year	10.7	10.7	10.7
Transfer to the Supportive Housing Program Subaccount (No Place Like Home)	-53.7	-140.0	-140.0
Anticipated Accrual Amount	[890.7]	[331.3]	[706.9]
Total Estimated Revenue²	\$2,326.7	\$2,411.1	\$2,506.4

¹ Source: Personal Income Tax and Anticipated Accrual Amount (DOF Financial Research Unit – updated for Governor’s Budget), Interest Income Earned (Fund Condition Statement in the FY 2021-22 Governor’s Budget: Income from Surplus Money Investments).

² Estimated available receipts do not include funds reverted under W&I Section 5892(h).

REVENUES BY COMPONENT

Table 2 displays the estimated MHSA revenue available by component and the five percent portion available for state-directed purposes. While Table 2 displays the component amounts, the SCO distributes MHSA funds to counties monthly as a single amount that each county budgets, expends³, and tracks by component according to MHSA requirements.

**Table 2: MHSA Estimated Revenue
By Component⁴
2021-22 Governor’s Budget**

(Dollars in Millions)

Component	FY 2019-20	FY 2020-21	FY 2021-22
Community Services and Supports (Excluding Innovation)	\$1,679.9	\$1,740.8	\$1,809.6
Prevention and Early Intervention (Excluding Innovation)	420.0	435.2	452.4
Innovation	110.5	114.5	119.1
State-Directed Purposes ⁵	116.3	120.6	125.3
Total Estimated Revenue	\$2,326.7	\$2,411.1	\$2,506.4

MHSA FUND EXPENDITURES

Table 3a displays MHSA expenditures for State Operations and Local Assistance by each state entity receiving funds from the MHSF with estimated expenditures for FY 2019-20, estimated expenditures for FY 2020-21, and projected expenditures for FY 2021-22. Table 3b displays the funding for State-Directed Purposes Cap by fiscal year.

The estimated MHSA monthly distribution varies depending on the actual cash receipts and actual annual adjustment amounts.

³ W&I Section 5892(h)(1) provides that counties have three years to expend funding for CSS, PEI, and INN components, and ten years to expend funding for CF/TN and WET components. W&I Section 5892(h)(3) provides that counties with a population of less than 200,000 have five years to expend CSS, PEI, and INN components.

⁴ Actual receipts displayed are based upon the percentages specified in W&I Section 5892 for the components identified: 76% CSS; 19% PEI; 5% INN.

⁵ 5% State-Directed Purposes W&I Section 5892(d).

**Table 3a: MHSA Expenditures
State Operations and Local Assistance
2021-22 Governor’s Budget**

(Dollars in Thousands)

Department	Estimated	Estimated	Projected
	2019-20	2020-21	2021-22
<u>Judicial Branch</u>			
State Operations	\$1,159	\$1,174	\$1,174
Positions (FTEs)	6.0	6.0	6.0
<u>California Health Facilities Financing Authority</u>			
State Operations	\$10	\$0	\$0
Local Assistance	\$4,057	\$4,673	\$30,537
Positions	0.0	0.0	0.0
<u>Office of Statewide Health Planning and Development</u>			
State Operations	\$5,741	\$2,410	\$2,594
Local Assistance	\$22,612	\$27,282	\$0
Positions	1.9	1.9	1.9
<u>Department of Health Care Services</u>			
State Operations	\$27,214	\$18,356	\$18,930
Local Assistance			
MHSA Monthly Distributions to Counties ⁶	\$2,141,435	\$2,128,328	\$2,290,554
Positions	41.0	41.0	41.0
<u>California Department of Public Health</u>			
State Operations	\$42,483	\$2,393	\$2,468
Positions	13.8	13.8	13.8
<u>Department of Developmental Services</u>			
State Operations	\$283	\$500	\$500
Local Assistance	\$740	\$740	\$740
Positions	3.0	3.0	3.0
<u>Mental Health Services Oversight & Accountability Commission</u>			
State Operations	\$18,206	\$16,758	\$16,028

⁶ Local Assistance costs outside of the State Directed Cap.

Department	Estimated	Estimated	Projected
	2019-20	2020-21	2021-22
Local Assistance	\$20,000	\$111,701	\$53,830
Positions	37.2	36.4	36.4
<u>Department of Corrections and Rehabilitation</u>			
State Operations	\$1,181	\$1,202	\$1,052
Positions	3.3	3.3	3.3
<u>Department of Education</u>			
State Operations	\$170	\$164	\$179
Positions	0.9	0.9	0.9
<u>Board of Governors of the California Community Colleges</u>			
State Operations	\$104	\$97	\$106
Local Assistance	\$7,000	\$0	\$0
Positions	0.5	0.5	0.5
<u>California State University</u>			
State Operations	\$3,000	\$0	\$0
Positions	0.0	0.0	0.0
Financial Information System for California			
State Operations	-\$8	\$0	\$0
Positions	0.0	0.0	0.0
<u>Military Department</u>			
State Operations	\$1,483	\$1,504	\$1,532
Positions	8.2	8.2	8.2
<u>Department of Veterans Affairs</u>			
State Operations	\$250	\$254	\$273
Local Assistance	\$1,270	\$1,270	\$1,270
Positions	2.0	2.0	2.0
SB 84 Loan Assessment			
State Operations	\$356	\$364	\$370

Department	Estimated	Estimated	Projected
	2019-20	2020-21	2021-22
Statewide General Administration⁷			
State Operations	\$1,842	\$2,781	\$5,536
Total State Operations	\$103,474	\$47,957	\$50,742
Total Local Assistance⁸	\$2,197,114	\$2,273,994	\$2,376,931
Total Expenditures	\$2,300,588	\$2,321,951	\$2,427,673

**Table 3b: MHSA Expenditures
State-Directed Cap
2021-22 Governor’s Budget**

(Dollars in Millions)

Component	Estimated FY 2019-20	Estimated FY 2020-21	Projected FY 2021-22
Total MHSF Estimated Revenues and Transfers	\$2,326.7	\$2,411.1	\$2,506.4
State Directed Percentage Cap	5%	5%	5%
Estimated State Directed Revenue	116.3	120.6	125.3
Total State Directed Expenditures (includes funding re-appropriated and attributed to prior years)	159.2	193.6	137.1
Difference⁹	-\$42.8	-\$73.1	-\$11.8

Based upon estimated MHSA revenues, the five percent state-directed purposes cap is \$116.3 million and estimated state-directed expenditures are \$159.2 million for 2019-20. For 2020-21, the estimated five percent administrative cap is \$120.6 million and the total estimated expenditures are \$193.6 million. For FY 2021-22, the projected five percent administrative cap is \$125.3 million and the total projected expenditures are \$137.1 million.

⁷ Pro Rata assessment to the fund: General fund recovers of statewide general administrative costs (i.e., indirect costs incurred by central service agencies) from special funds (Government Code Sections 11010 and 11270 through 11275). The Pro Rata process apportions the costs of providing central administrative services to all state departments that benefit from the services.

⁸ Includes Local Assistance costs outside of the State Directed Cap.

⁹ The amount exceeding the state-directed cap includes funding that has been re-appropriated and is attributed to prior year available funds. The expenditures are higher than the 5% state-directed cap due to the availability of prior years’ unspent funding from the state-directed cap.

Appendix 1: Prudent Reserve Funding Levels

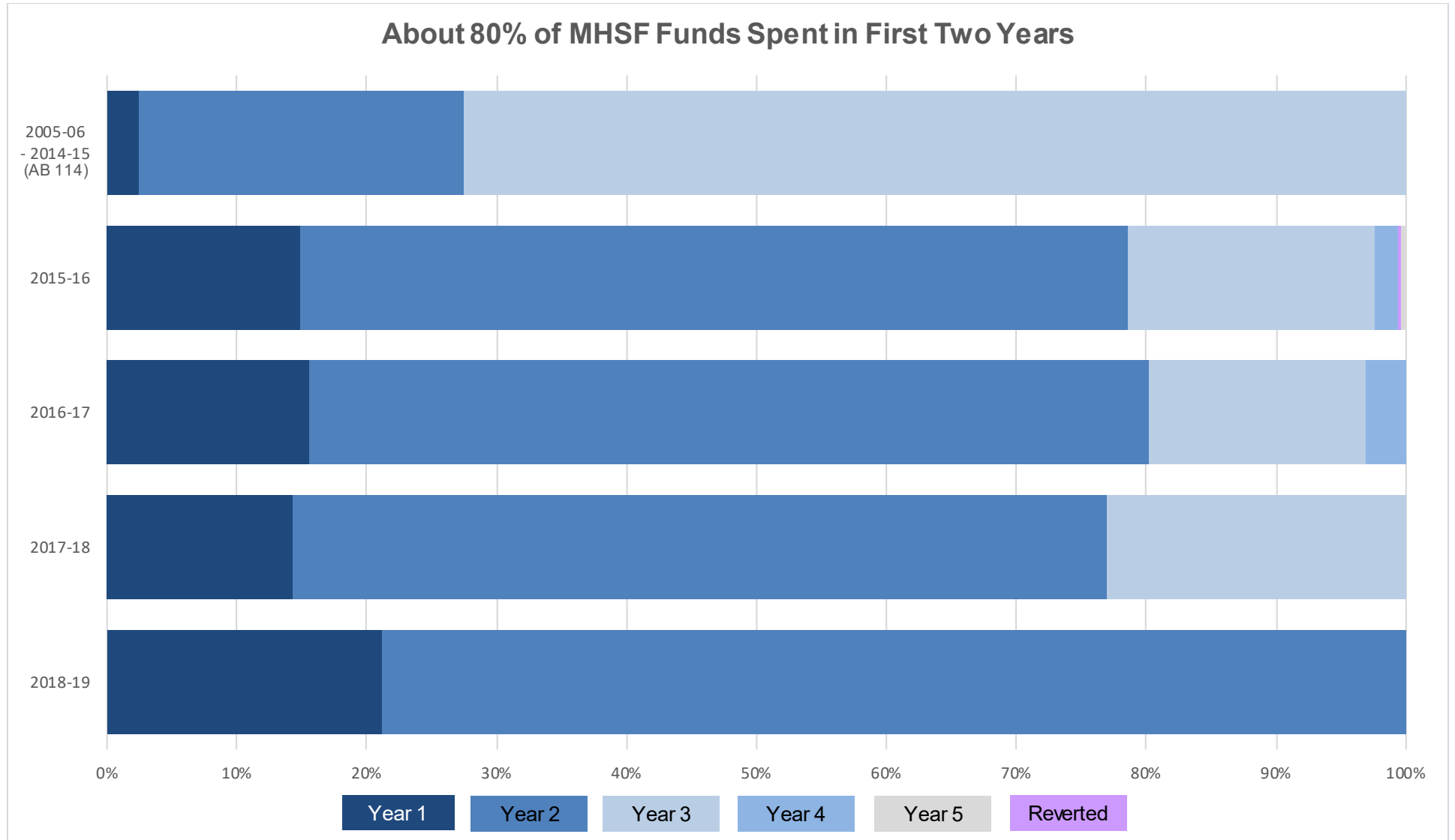
Prudent Reserve Funding Levels¹			
Prudent Reserve Balance from FY 2018-19 ARER ²			
County	Local Prudent Reserve Balance from FY 2018-19 ARER	33% Maximum Prudent Reserve Level	Amount to be Transferred to CSS and/or PEI by June 30, 2020^{3,4}
Alameda	\$ 36,210,951.83	\$ 14,593,038.37	\$ 21,617,913.46
Alpine	\$ 592,407.00	\$ 354,639.39	\$ 237,767.61
Amador	\$ 1,607,714.00	\$ 652,458.45	\$ 955,255.55
Berkeley City	\$ 1,477,673.00	\$ 1,237,629.31	\$ 240,043.69
Butte	\$ 2,457,861.00	\$ 2,376,466.04	\$ 81,394.96
Calaveras	\$ 975,189.00	\$ 707,285.93	\$ 267,903.07
Colusa	\$ 468,478.00	\$ 583,058.38	\$ -
Contra Costa	\$ 7,579,248.17	\$ 9,306,042.67	\$ -
Del Norte	\$ 614,386.00	\$ 614,385.72	\$ 0.28
El Dorado	\$ 2,098,284.00	\$ 1,655,402.77	\$ 442,881.23
Fresno	\$ 10,182,941.04	\$ 10,081,463.06	\$ 101,477.98
Glenn	\$ 88,510.00	\$ 620,110.27	\$ -
Humboldt	\$ 1,439,391.20	\$ 1,467,705.70	\$ -
Imperial	\$ 430,047.00	\$ 2,026,098.18	\$ -
Inyo	\$ 668,926.00	\$ 416,717.71	\$ 252,208.29
Kern	\$ 16,252,239.00	\$ 8,716,008.31	\$ 7,536,230.69
Kings	\$ 2,138,118.00	\$ 1,699,926.60	\$ 438,191.40
Lake	\$ 1,169,461.00	\$ 836,050.87	\$ 333,410.13
Lassen	\$ 804,579.00	\$ 614,779.91	\$ 189,799.09
Los Angeles	\$ 116,483,541.00	\$ 116,483,541.70	\$ -
Madera	\$ 6,674,739.00	\$ 1,785,654.22	\$ 4,889,084.78
Marin	\$ 2,175,490.00	\$ 2,315,078.74	\$ -
Mariposa	\$ 246,990.59	\$ 419,347.56	\$ -
Mendocino	\$ 2,197,777.00	\$ 1,018,338.01	\$ 1,179,438.99
Merced	\$ 2,974,452.14	\$ 3,010,581.84	\$ -
Modoc	\$ 356,545.00	\$ 388,776.94	\$ -
Mono	\$ 1,671,731.00	\$ 407,919.47	\$ 1,263,811.53
Monterey	\$ 4,795,236.06	\$ 4,795,236.73	\$ -
Napa	\$ 764,402.00	\$ 1,369,670.45	\$ -
Nevada	\$ 1,193,306.13	\$ 1,111,502.67	\$ 81,803.46
Orange	\$ 59,578,548.00	\$ 33,258,769.06	\$ 26,319,778.94
Placer	\$ 4,399,471.13	\$ 2,819,663.63	\$ 1,579,807.50

Prudent Reserve Funding Levels¹			
Prudent Reserve Balance from FY 2018-19 ARER ²			
County	Local Prudent Reserve Balance from FY 2018-19 ARER	33% Maximum Prudent Reserve Level	Amount to be Transferred to CSS and/or PEI by June 30, 2020^{3,4}
Plumas	\$ 1,058,648.00	\$ 563,639.30	\$ 495,008.70
Riverside	\$ 24,217,189.00	\$ 21,602,903.96	\$ 2,614,285.04
Sacramento	\$ 14,891,847.00	\$ 13,196,792.39	\$ 1,695,054.61
San Benito	\$ 941,758.00	\$ 803,135.40	\$ 138,622.60
San Bernardino	\$ 22,152,363.00	\$ 21,655,429.06	\$ 496,933.94
San Diego	\$ 42,193,120.00	\$ 33,478,185.53	\$ 8,714,934.47
San Francisco	\$ 7,259,570.00	\$ 7,578,949.83	\$ -
San Joaquin	\$ 12,160,831.00	\$ 6,939,866.04	\$ 5,220,964.96
San Luis Obispo	\$ 5,836,164.00	\$ 2,774,412.28	\$ 3,061,751.72
San Mateo	\$ 600,000.00	\$ 6,676,529.39	\$ -
Santa Barbara	\$ 2,023,112.72	\$ 4,744,661.15	\$ -
Santa Clara	\$ 20,749,476.07	\$ 18,703,636.72	\$ 2,045,839.35
Santa Cruz	\$ 3,538,705.88	\$ 2,997,367.57	\$ 541,338.31
Shasta	\$ -	\$ 1,972,883.62	\$ -
Sierra	\$ 741,451.88	\$ 362,970.48	\$ 378,481.40
Siskiyou	\$ 1,747,114.95	\$ 692,430.70	\$ 1,054,684.25
Solano	\$ 2,780,126.00	\$ 4,112,810.13	\$ -
Sonoma	\$ 944,980.88	\$ 4,643,162.51	\$ -
Stanislaus	\$ 500,000.00	\$ 5,283,972.38	\$ -
Sutter-Yuba	\$ 521,836.00	\$ 1,897,751.68	\$ -
Tehama	\$ 550,618.00	\$ 810,126.20	\$ -
Tri-City	\$ 3,558,621.00	\$ 2,287,572.95	\$ 1,271,048.05
Trinity	\$ 389,723.00	\$ 405,650.08	\$ -
Tulare	\$ 9,931,268.29	\$ 4,993,505.77	\$ 4,937,762.52
Tuolumne	\$ 554,758.22	\$ 767,881.85	\$ -
Ventura	\$ 8,572,193.00	\$ 8,491,905.42	\$ 80,287.58
Yolo	\$ 514,069.00	\$ 2,225,417.74	\$ -
Total	\$ 479,698,178	\$ 408,406,898.79	\$ 71,291,279.39

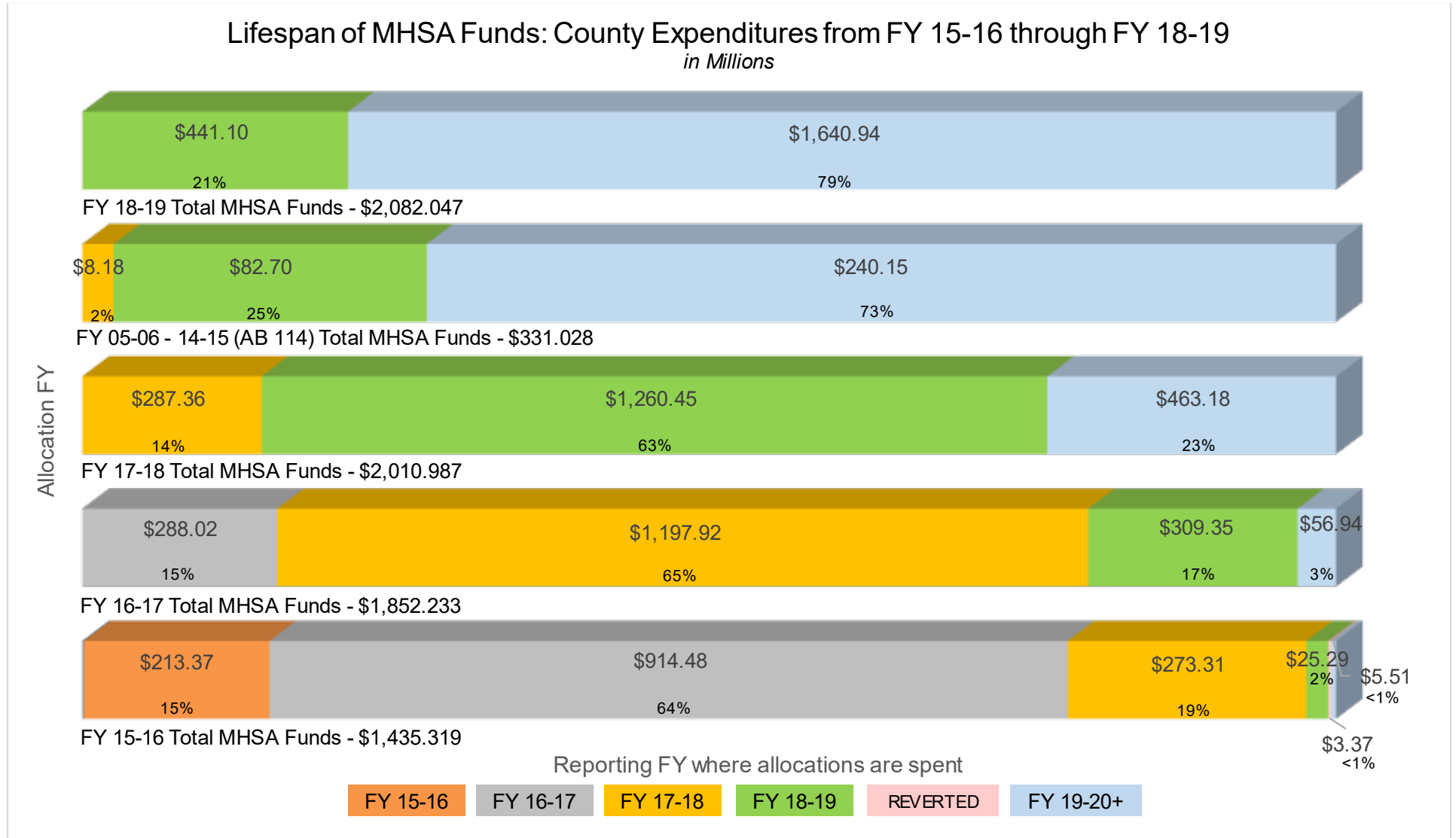
¹Welfare and Institutions Code section 5892 (b)(2) requires counties to maintain a prudent reserve that does not exceed 33% of the average CSS revenue received from the Local MHSF in the proceeding 5 years. The Local Prudent Reserve assessment was conducted in FY 2018-19 with

Prudent Reserve Funding Levels¹			
Prudent Reserve Balance from FY 2018-19 ARER ²			
County	Local Prudent Reserve Balance from FY 2018-19 ARER	33% Maximum Prudent Reserve Level	Amount to be Transferred to CSS and/or PEI by June 30, 2020^{3,4}
CSS allocations from FY 2013-14 through FY 2017-18. The next Local Prudent Reserve calculation will occur in FY 2023-24.			
² Total Prudent Reserve ending balance as reported on FY 2018-19 ARER. The FY 2019-20 ARER data is not available as of the 2021 Governor's Budget. Counties are required to submit ARERs for the previous fiscal year by January 31st. Subsequently, DHCS completes its review and addresses any county appeals around April/May. Assuming timely submission of county FY 2019-20 ARERs, an updated prudent reserve balance is anticipated to be available by October 2021.			
³ Upon the reversion deadline, local MHSA funds, and the interest accrued on those funds, above the maximum allowable local prudent reserve level will revert to the state and distributed to other counties for the original purpose of the funds. WIC Section 5899(g) requires, by October of each year, DHCS, in consultation with counties, to publish a report detailing funds subject to reversion by county and by originally allocated purpose. The report includes the date on which the funds will revert.			
⁴ WIC Section 5892(i) extends the reversion deadline for unspent county funds subject to reversion as of July 1, 2019, and July 1, 2020, to July 1, 2021.			

Appendix 2: Lifespan of MHSF funds, including reversion amounts (high level)



Lifespan of MHPA funds, including reversion amounts (detailed description)



Notes:

- Appendix 2 contains year-by-year details on total MHPA allocations, when those allocations were spent, and how much funding was reverted.
- Total MHPA Funds equals total funds distributed by the State Controller’s Office to counties from July to June of each FY plus interest, as reported on the MHPA Annual Revenue and Expenditure Report. Total MHPA expenditures are reported by counties on the MHPA Annual Revenue Expenditure Reports and accepted by DHCS. This amount equals the sum of CSS, PEI, and INN expenditures funded with MHPA dollars. The Reporting FY is defined as the current fiscal year that is being reported. The Allocation FY is defined as the year the funding is received. The spending of allocated funds can occur over a span of Reporting FYs. Large counties have three years to spend funds. Small counties have five years to spend funds.
- With the passage of Chapter 38, Statutes of 2017 (AB 114), DHCS reverted and reallocated approximately \$411.1 million to counties.
- The first graphic shows a chronological timeline of the allocated funds expended each fiscal year. About 80% of each allotment of annual funds is spent within two fiscal years of expenditures.
- The second graphic shows a high level overview of which allocated FY funds are utilized to cover each FY expenditure based on a reversion timeline.