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CHAPTER 74
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SEC. 80. (a) Commencing on the date that the Budget Act of 2006 is enacted, funds provided to county mental health departments from Item 6110-161-0890 and Item 4440-104-0001 of the Budget Act of 2006 for services provided pursuant to Chapter 26.5 (commencing with Section 7570) of Division 7 of Title 1 of the Government Code shall be timely. Those funds shall be used exclusively to provide state-mandated services pursuant to that chapter, and counties shall identify those funds as provided for this purpose in any future claim for state-mandated reimbursement for services provided pursuant to that chapter.

(1) The State Department of Education shall be responsible for the timely distribution of funds appropriated in Item 6110-161-0890 to county offices of education. These funds shall be distributed consistent with an allocation plan formulated by the State Department of Mental Health in consultation with representatives of county mental health departments. The timing of distributions shall meet the following requirements:

(A) A minimum of 50 percent of the appropriated funds shall be provided to county mental health departments through the county offices of education by January 1 of each year.

(B) A minimum of 75 percent of the appropriated funds shall be provided to county mental health departments through the county offices of education by March 1 of each year.

(2) The funds appropriated in Item 4440-104-0001 shall be distributed consistent with an allocation plan formulated by the State Department of Mental Health in consultation with representatives of county mental health departments.

(A) The State Department of Mental Health shall make monthly payments of one-twelfth of 95 percent of the funds appropriated in Item 4440-104-0001 of the Budget Act of 2006 to county mental health departments. The remaining 5 percent shall be allocated upon completion of the settle-up pursuant to paragraph (3).

(B) Commencing in the 2007-08 fiscal year, the State Department of Mental Health shall make monthly payments of the funds appropriated in Item 4440-104-0001 of the annual Budget Act to county mental health departments with adopted memoranda of understanding as required in subdivision (b). The remaining 5 percent shall be allocated upon completion of the settle-up pursuant to paragraph (3).

(3) The State Department of Mental Health shall settle payments to actual allowable costs up to the amount available in Item 4440-104-0001 of the annual Budget Act.

(4) Any additional allowable costs incurred by a county mental health department for services required pursuant to Chapter 26.5 (commencing with Section 7570) of Division 7 of Title 1 of the Government Code shall be reimbursed through the state mandate claims process.

(b) (1) Commencing in the 2007-08 fiscal year, as a condition of receiving funds appropriated in Item 4440-104-0001 of the annual Budget Act for mental health services for students with individualized education plans pursuant to Chapter 26.5 (commencing with Section 7570) of Division 7 of Title 1 of the Government Code, a county mental health department and the appropriate county office of education, or a single entity designated by the county office of education, shall enter into a memorandum of understanding.

(2) The State Department of Mental Health shall develop a template of the memorandum of understanding by October 1, 2006, for use by county mental health departments and county offices of education or their designees. This template shall be developed in collaboration with the State Department of Education and in consultation with county mental health departments and county offices of education. The template for the memorandum of understanding shall contain at a minimum the following elements:

(A) The requirements of Chapter 26.5 (commencing with Section 7570) of Division 7 of Title 1 of the Government Code in the areas of referrals, data collection, and reporting, including, but not limited to, the recommendations made pursuant to Paragraph (3) of subdivision (b) of Section 56139 of the Education Code and paragraph (1) of subdivision (b) of Section 7576.2 of the Government Code.

(B) Data required to be reported by county mental health departments to county offices of education to meet federal reporting requirements under the federal Individuals With Disabilities Education Act.

(C) A description of the array of services to be delivered consistent with assessments and individualized education plans.

(3) The State Department of Mental Health shall submit the template to the Legislature by October 2, 2006. If the template is not completed by October 1, 2006, the State Department of Mental Health and the State Department of Education shall each report to the Legislature on the status of the template and the reasons for not meeting the October 1, 2006, deadline.

(c) The memoranda of understanding shall be adopted by county mental health departments and county offices of education or their designees no later than May 1, 2007.

(d) The memoranda of understanding shall be submitted to the State Department of Mental Health by county mental health departments and to the State Department of Education by county offices of education or their designees within 15 days after adoption.

(e) (1) The State Department of Mental Health and the State Department of Education shall, by May 1, 2007, collaboratively develop claiming instructions for the appropriations in Items 6110-161-0890 and 4440-104-0001 for county mental health departments. The claiming instructions shall be for use in the 2007-08 fiscal year, and subsequent fiscal years. The State Department of Mental Health shall have primary responsibility for developing instructions for the General Fund, and the State Department of Education shall have primary responsibility for developing instructions for funds provided pursuant to the federal Individuals With Disabilities Education Act. The State Department of Mental Health and the State Department of Education shall consult with county mental health departments and county offices of education in the development of those instructions.

(2) The principles to be used in developing the claiming instructions shall be to maximize the appropriate use of federal funds and to use federal funds first.

(3) County mental health departments shall submit claims to county offices of education on a timely basis.

(f) (1) Monitoring of county offices of education and their designees, and county mental health departments, shall be consistent with subdivision (a) of Section 56139 of the Education Code, and subdivision (a) of Section 7576.2 of the Government Code.

(2) The State Department of Mental Health and the State Department of Education shall monitor for timely memoranda of understanding.

(3) The State Department of Mental Health may monitor treatment appropriateness to achieve educational goals as outlined in the individualized education plans.

(4) The State Department of Mental Health may audit costs of claims from county mental health programs for services provided pursuant to Chapter 26.5 (commencing with Section 7570) of Division 7 of Title 1 of the Government Code. The department may also monitor the cost of claims to determine whether they are based on actual costs for cost-efficient services with rates comparable to similar services funded by other state programs.

(5) The State Department of Education may monitor compliance with individualized education plans and the timeliness of payments from county offices of education to county mental health departments.